



Raleigh



COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal year ending June 30, 2018



RALEIGH
UNION STATION



City of Raleigh
NORTH CAROLINA

Comprehensive Annual
Financial Report

For the Fiscal Year Ended June 30, 2018

Prepared by the Finance Department
Allison E. Bradsher
Chief Financial Officer

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INTRODUCTORY SECTION



RALEIGH
UNION STATION

Raleigh City Council 2017-2018



First row: Nicole Stewart, Nancy McFarlane, Kay Crowder, Stef Mendell
Second row: Russ Stephenson, David Cox, Richard "Dickie" Thompson, Corey Branch

Nancy McFarlane - Mayor

Richard "Dickie" Thompson - District A

David Cox - District B

Corey Branch - District C

Kay Crowder - District D

Stef Mendell - District E

Russ Stephenson - At Large

Nicole Stewart - At Large

City Administrative, Legal and Financial Staff

Ruffin L. Hall
City Manager

Tansy Hayward
Assistant City Manager

Marchell Adams-David
Assistant City Manager

James Greene, Jr.
Assistant City Manager

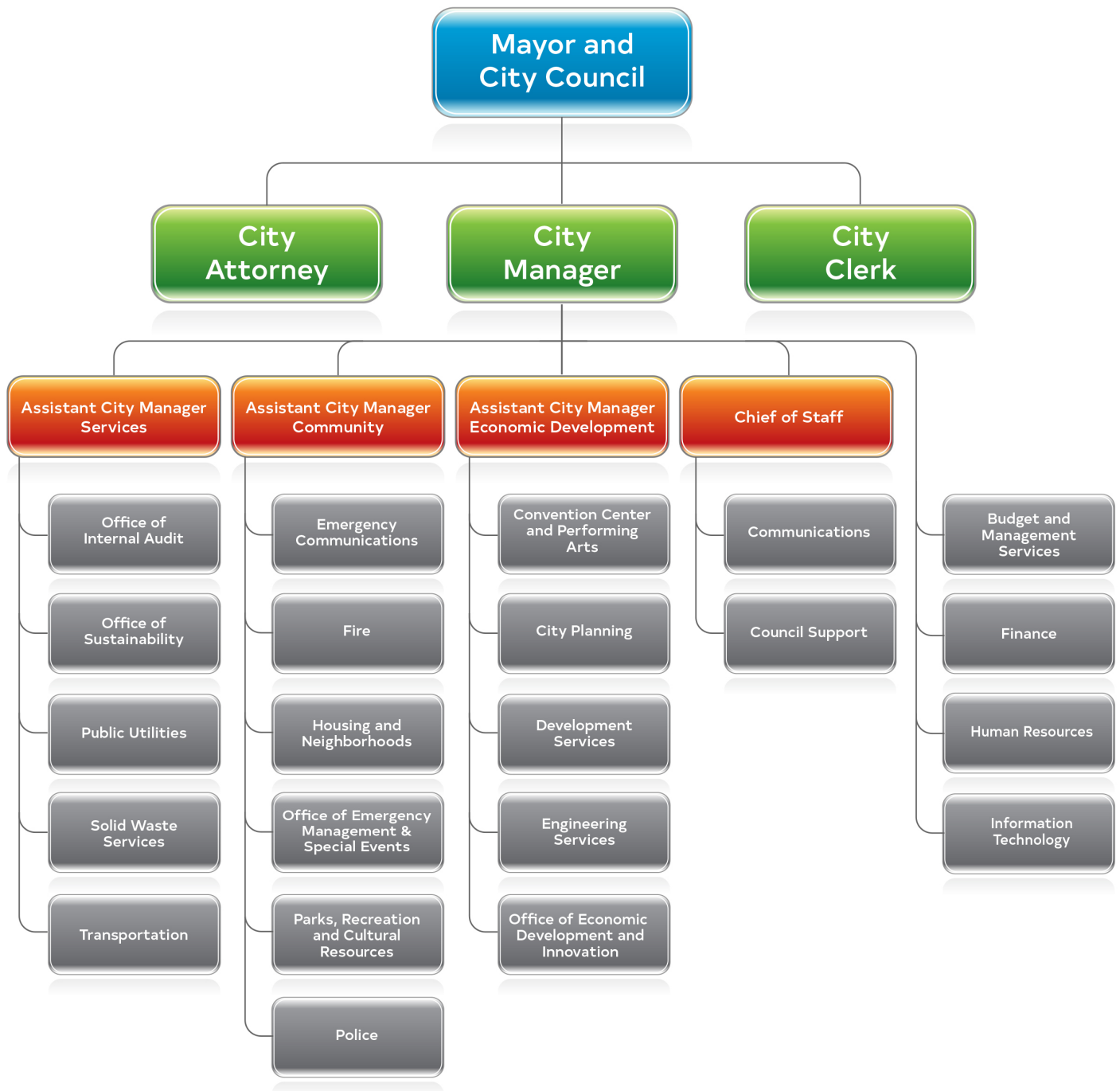
Louis Buonpane
Chief of Staff

Dorothy Leapley
City Attorney, Interim

Gail G. Smith
City Clerk

Allison E. Bradsher
Chief Financial Officer

City-Wide Organization Chart



October 31, 2018



To The Honorable Mayor and Members of the City Council and Citizens of the City of Raleigh, North Carolina

It is our pleasure to submit the Comprehensive Annual Financial Report of the City of Raleigh, North Carolina for the fiscal year ended June 30, 2018. State law requires that all general-purpose local governments annually publish a complete set of financial statements. The financial statements must be presented in accordance with accounting principles generally accepted in the United States of America and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. This report complies with these requirements.

The Comprehensive Annual Financial Report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect City assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with accounting principles generally accepted in the United States of America. The City's comprehensive internal control framework has been designed to provide reasonable rather than absolute assurance that the financial statements are free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

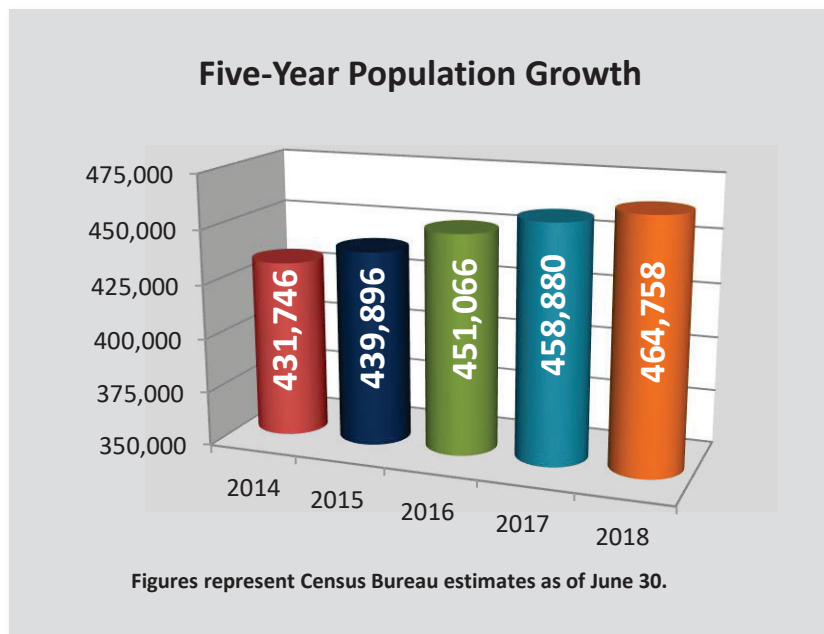
The City's financial statements have been audited by Cherry Bekaert LLP, a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City are free of material misstatement. The independent auditor concluded that the City's financial statements, for the fiscal year ended June 30, 2018, are fairly presented in accordance with accounting principles generally accepted in the United States of America. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the City's financial statements was further part of a broader federal and state mandated "Single Audit" designed to meet the special needs of grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal and state awards. These auditor reports are available in the Single Audit section of this report.

Accounting principles generally accepted in the United States of America require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

Profile of City of Raleigh

Raleigh is situated in the heart of the state's Piedmont region, centered between the sandy Atlantic beaches and the Great Smoky Mountains. The City is both the county seat of Wake County and the capital of North Carolina; it covers an area of more than 146 square miles and has an estimated population of 464,758. Raleigh, Durham, and Chapel Hill form the Research Triangle Park (RTP), which was founded in 1959 for research, innovation, and economic development and is now the largest research park in the nation. The City is located in a metropolitan area consisting of Wake, Durham, Orange, Franklin, Chatham and Johnston counties. The cumulative population for these areas is estimated to be 1.9 million, which reflects a 22.7% increase over the past 10 years.



The North Carolina General Assembly purchased land for the original site of the City. Raleigh is among the few cities in the United States that was planned and built specifically to serve as a state capital and its original boundaries were formed by North, East, West and South streets. The City was established in 1792 by an act of the General Assembly and has utilized a council-manager form of government since 1947. The Mayor and two Council members are elected at-large, and the remaining five Council members are elected from five districts within the City. The Mayor and Council members serve two-year terms and all have an equal vote. The City Council sets policies, enacts ordinances and appoints the City Manager. The City Manager is responsible to Council and administers the daily operations and programs of the City as well as management of all City employees.

The City provides the full range of governmental services, including police and fire protection, street construction and maintenance, solid waste management, water and sanitary sewer services, parks, recreation and cultural services, planning and development services, a variety of transportation and public infrastructure programs, and other traditional support activities.

The City is empowered to levy a property tax on real and certain personal properties located within its boundaries. Subject to various stipulations set by the North Carolina General Assembly, it is also empowered to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing council.

The Annual Budget serves as the foundation of the City's financial planning and fiscal control. The City Council is required to hold public hearings on the proposed budget and to annually adopt a final budget no later than June 30, the close of the City's fiscal year. The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., police). Department heads may approve budget transfers within a fund up to \$10,000, while transfers between \$10,000 and \$50,000 require approval from the City Manager or designee. Transfers greater than \$50,000 and transfers of appropriations between funds require approval of the City Council.

Economic Conditions

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

Raleigh continues to be widely recognized by independent sources as one of the nation's most attractive metropolitan areas.

Recent accolades include:

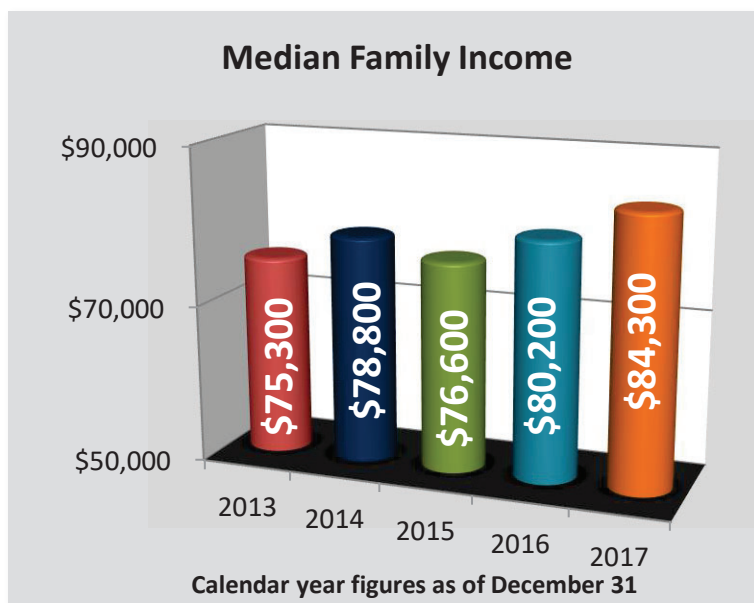
- Among Top 10 Best Cities for New Grads Starting Out - (May 2018 –MarketWatch)
- City Museums Among Top NC Tourist Attractions - (March 2018, Carolina Publishing Associates)
- 6th on list of Top State Capitals to Live In - (February 2018 – WalletHub)
- Among Top 10 Coolest Places to Eat - (January 2018, Forbes)
- 2nd Most Educated City in the Country - (October 2017, Forbes)
- 4th Best City for Jobs in the U.S. - (September 2017 – Glassdoor)

Raleigh has experienced steady growth in population and commercial activity over the past several years and is now the 41st largest city in the United States. As the capital of the state, the City derives its economic profile from a diverse combination of business and employment centers, including Federal and State government, higher education, information technology, scientific research, healthcare and retail trade.

Raleigh is the home of the principal executive, judicial and regulatory offices of State government, as well as six public and private institutions of higher education, including North Carolina State University, the largest university in North Carolina.

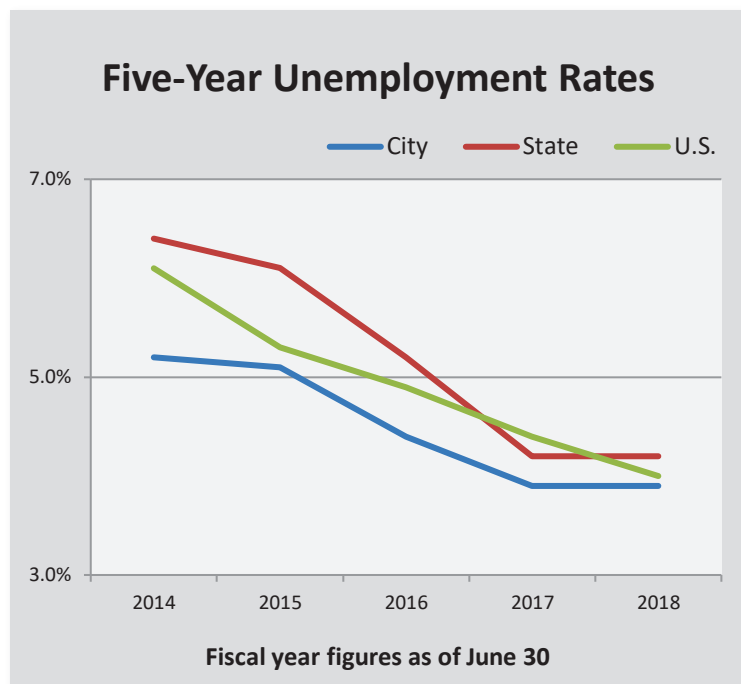
A thriving business environment, nationally ranked universities and outstanding health care facilities are some of the many features that attract people to the area.

Specifically, downtown Raleigh has seen rapid growth in residential populations, expanding retail and continued employment opportunities. Locally, the unemployment rate at June 30, 2018 was 3.9%, which remained consistent with the prior year. Median family income continued an upward trend, rising to \$84,300 in calendar year 2017.



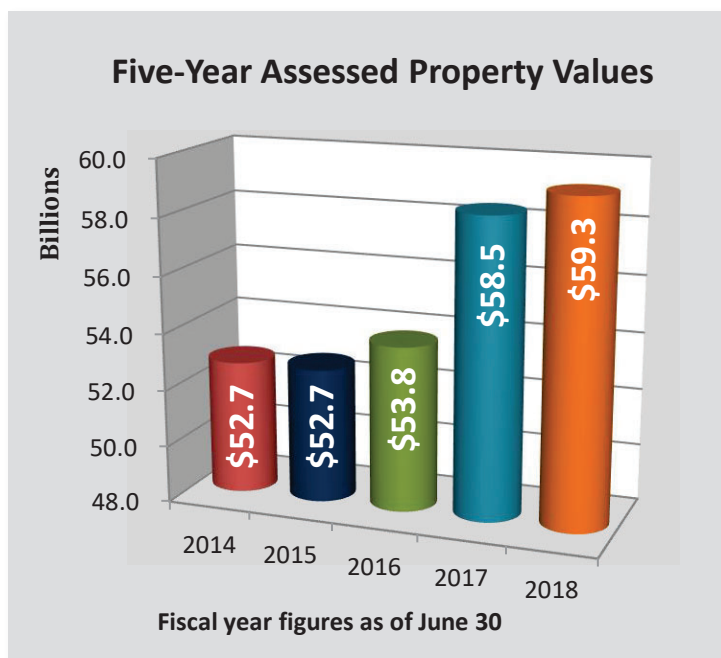
The nearby Research Triangle Park (RTP) was developed in 1959 for industrial, governmental and scientific research. Its primary objective is to attract research related institutions to the area. Its corporate residents currently consist of more than 250 organizations including International Business Machines, Cisco Systems, WolfSpeed (a Cree Company), GlaxoSmithKline, Syngenta and RTI International. RTP companies employ more than 50,000 full-time equivalent employees and contract workers. Industries such as micro-electronics, telecommunications, biotechnology, chemicals, pharmaceuticals, and environmental sciences also invest more than twice the national average in research and development at the region's universities each year.

The value of construction permits remained strong at \$1.5 billion in 2018. During this period, the City's taxable property base remains balanced with industrial and commercial properties which complement its residential base. Wake County properties underwent a revaluation in 2016 and the fiscal year figures reflect revised assessed values.

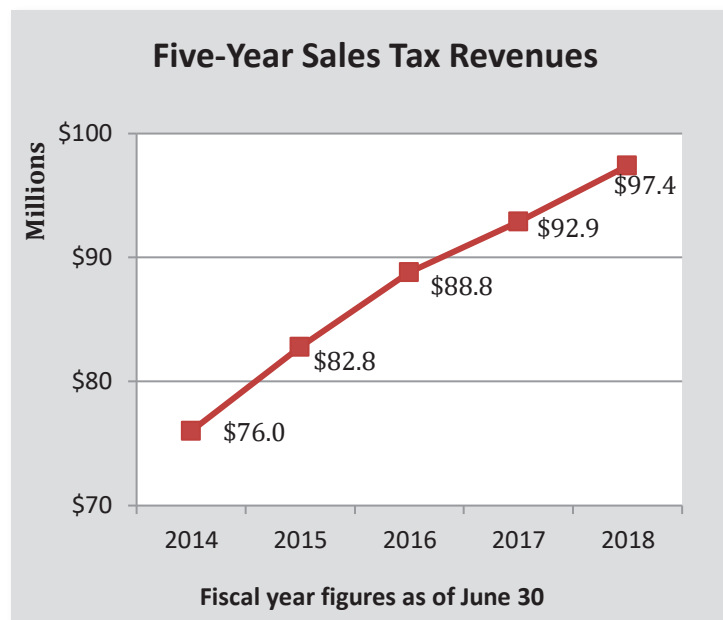


Retail sales for Wake County have continued to grow at a moderate pace, with the City's distributions increasing by 4.9% from the previous fiscal year.

The overall economy remains strong both in the City and the region, with continued positive trends expected. The City is positioned to adapt to the rapid rate of growth it is experiencing and continues to respond effectively to citizens' needs as this economic growth occurs.



Raleigh attracts over 15 million visitors annually for conferences, special events, shopping and other attractions. This experience is enhanced by facilities such as the Raleigh Convention Center Complex, Red Hat Amphitheater and Festival Site, PNC Arena, Coastal Credit Union Music Park at Walnut Creek, the Duke Energy Center for the Performing Arts, Marbles Kids Museum and IMAX Theater, numerous state museums, and major retail shopping malls. The PNC Arena is home of the Carolina Hurricanes, National Hockey League's 2006 Stanley Cup champion, and North Carolina State University's Wolfpack basketball team. Memorial Auditorium, at the Duke Energy Center for the Performing Arts, hosts a diversified slate of plays and performances including productions of the NC Theatre and the Broadway Series South. The Duke Energy Center for the Performing Arts is the home of the North Carolina Symphony and the Carolina Ballet and features four performing arts theaters.



The City continues to recognize economic benefits from its investment in downtown and other areas of the City. The Raleigh Convention Center Complex has been met with outstanding bookings by regional, national and international conference groups, and continues to experience positive momentum. During fiscal year 2017-18, the Center held 249 events with 432,679 attendees and the Duke Energy Center for the Performing Arts held 627 events with 387,764 attendees. The Red Hat Amphitheater held 45 shows in the most recent summer season and brought 144,521 attendees downtown. Collectively, these venues had an estimated \$66.2 million economic impact on Wake County, an 8.5% increase when compared to last year.

Major Initiatives

A number of key projects and initiatives in fiscal year 2017-18 reflect the City's continuing commitment to its vital capital infrastructure. The City seeks to develop an equitable, Citywide transportation network for pedestrians, cyclists, automobiles and transit that is linked to regional municipalities through transportation hubs. The City opened Raleigh Union Station this year in the downtown Warehouse District. The station is anticipated to accommodate current and future demand for intercity passenger rail, commuter rail, buses, taxis, bicycles and other forms of transportation. The City also continues to work with Wake County's Transit Planning Advisory Committee (TPAC) for future planning and development of transit needs. The approval of a \$206.7M transportation bond referendum allows the City to prioritize transportation needs for the growing City.

The City invested resources to expand information technology capabilities, maintain the integrity of City data and increase productivity. In 2017-18, the City invested in the Police Headquarters and Training Center, as well as at select fire stations to ensure public safety operations remain efficient and responsive to citizen needs. The City invested in many energy efficient projects throughout our buildings, including lighting upgrades and air conditioning system improvements. The City also committed resources to replacing water and sewer mains, completing interceptor improvements and finishing wastewater treatment upgrades. More than two dozen high priority drainage assistance projects were completed during the year, along with multiple stormwater rehabilitation projects. Master planning for the Dorothea Dix property continued with opportunities for community engagement to provide public input for the long-term vision of the park. Building improvements for theatres, tennis facility resurfacing and continued trail improvements all promise to benefit leisure services in the community.

Long-term Financial Planning

The City seeks to consistently maintain a strong financial position as evidenced by its AAA/Aaa ratings from the three major credit rating agencies. This objective requires regular long-term planning of operating and capital requirements for its major general government and enterprise programs. In doing so, the City relies on key financial policies and procedures for managing future needs in financially responsible ways. Annually the City adopts a 10-year Capital Improvement Program (CIP) that looks ahead to plan for capital needs. Phase I encompasses the first 5 years of the CIP and addresses both project needs and financial strategy for this period. Spanning fiscal years 2017-18 through 2021-22, major areas included in Phase I are transportation, public utilities, parks, housing, stormwater utility, technology and general public improvements. Public utilities represent the largest portion of the CIP due to the strong growth of our area and continuing infrastructure needs. Phase II of the program, spanning the second 5-year period, includes longer range projects identified as necessary for the continuation of existing service levels to the citizens of the City.

A key financial goal of the City for many years has been the maintenance of a 14.0% unassigned fund balance level in the general fund. In addition, the City is able to appropriate a consistent level of fund balance each year resulting from positive budget variances. These goals are met in the fiscal year 2018 results that are built into the 2018-19 operating budgets. A number of financial models are also used in the budget process and provide a means of projecting long-term resource requirements. These include general and enterprise debt models, rate sensitivity analyses and financial proformas. Other financial practices are designed to avoid using one-time revenues to meet recurring expenditure needs and to ensure an appropriate mix of pay-as-you-go funding and long-term debt for capital needs.

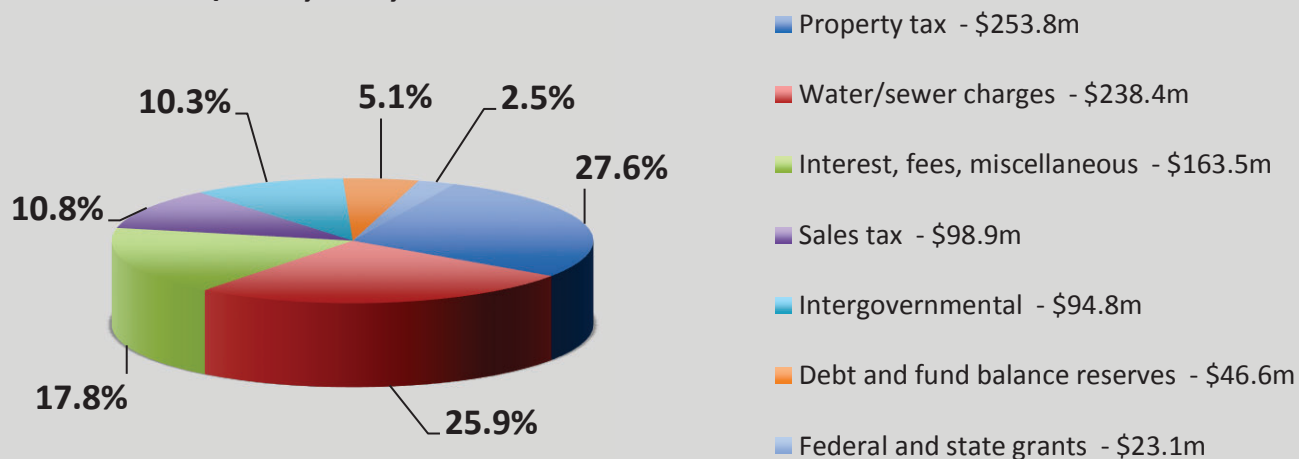
General Budget Information

For the Year 2017-18

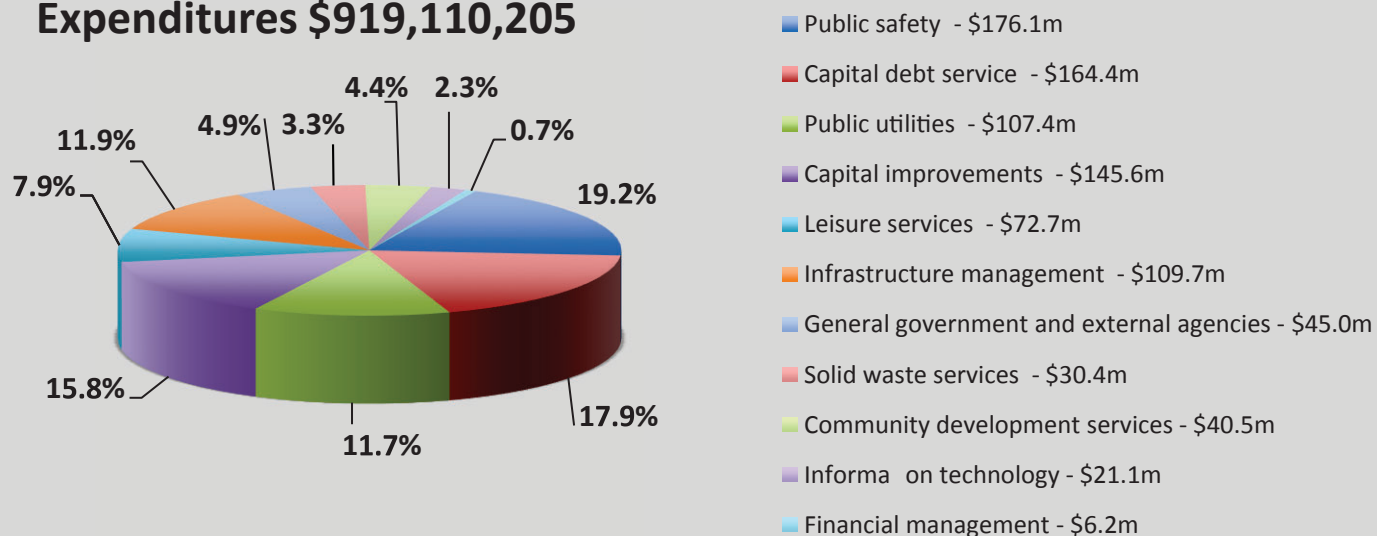
The City's Annual Budget for 2017-18, inclusive of operating and capital programs, increased by 7.0% from the prior year. The fiscal year 2017-18 property tax budget figure of \$253.8 million reflected a projected 4.2% increase in revenues over fiscal year 2016-17 actual results of \$243.5M. Property tax collections remain strong at 99.8% of amounts billed. The fiscal year 2017-18 sales tax budget figure of \$98.9M reflected a projected 6.5% increase in revenues over fiscal year 2016-17 actual results of \$92.9M. The 2017-18 budget projected steady revenues for water and sewer services, stormwater management and solid waste services. The 2017-18 operating budget sustained the City's long tradition of financial strength and flexibility, balanced with infrastructure investment and services that support economic development for the City. Priorities established in the 2017-18 budget included investing in economic development and innovation, growth, natural resources, transportation, arts and cultural resources, and human capital; improving service efficiency and business processes; and maintaining a safe community.

Adopted Budget 2017-2018

Revenues \$919,110,205



Expenditures \$919,110,205



Capital improvement budgets in fiscal year 2017-18 included new and/or continuing projects totaling \$335.4 million, including traditional project funding for transportation, utilities, parks, stormwater, housing and general public improvements.

For the Future

The fiscal year 2018-19 Annual Budget was adopted by the City Council on June 11, 2018. The combined capital and operating budget for the fiscal year beginning July 1, 2018 totals \$971.4 million, which represents a 5.7% increase from the prior Annual Budget.

In looking ahead as part of the 2018-2019 budget cycle, the City continues to focus on its implementation of the compensation and pay structure to attract and retain a talented workforce which will better serve citizens and the surrounding communities. In addition, the Community Survey and Resident Budget Priorities Survey both helped guide City investments towards growth management, protection of natural resources, stormwater management, transportation and community outreach. Public safety and economic development, as well as arts and cultural resources all continue to be prioritized and invested in by the City.

The 2018-19 capital budget includes new and/or continuing projects totaling \$328.5 million. This budget includes traditional project funding for transportation, utilities, parks, stormwater, housing and general public improvements. Fiscal year 2018-19 capital funding sources include traditional capital revenues such as Powell Bill funds, facility fees, capital reserves and other pay-as-you-go funds. The capital budget is also funded by the appropriation of previously issued bond proceeds as well as new planned long-term debt issues.

Awards and Acknowledgments

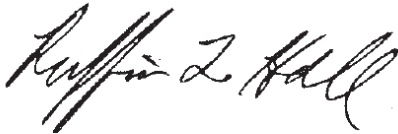
The City has participated in the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting Program since 1980. GFOA recognizes governmental units that issue their comprehensive annual financial report (CAFR) substantially in conformity with generally accepted accounting principles and all legal requirements. The City has received this award for its CAFR for thirty-seven (37) straight years since 1980.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report has been accomplished by the City's Finance Department staff. The contributions of all are invaluable and clearly reflect the high standards we have set for ourselves. The Finance Department wishes to thank all employees, as they support the strategic vision and financial well-being of The City.

It is also appropriate to thank the Mayor and members of the City Council for making possible the excellent financial position of the City through their interest and support in planning and conducting the financial affairs of the City.

Respectfully submitted,



Ruffin L. Hall • *City Manager*



Allison E. Bradsher • *Chief Financial Officer*



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

**City of Raleigh
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2017

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Christopher P. Morrell

Executive Director/CEO



FINANCIAL SECTION



RALEIGH
UNION STATION

Report of Independent Auditor

To the Honorable Mayor and
Members of the City Council
City of Raleigh, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Raleigh, North Carolina (the "City") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2018, and, the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 4G to the basic financial statements, the City adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, during the fiscal year ended June 30, 2018. As a result, fund balance as of June 30, 2017 has been restated. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplemental information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund statements and schedules, other schedules, the schedule of expenditures of federal and state awards and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State Single Audit Implementation Act, and is also not a required part of the financial statements.

The combining and individual fund statements and schedules and other schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements and schedules and other schedules are fairly stated in all material respects in relation to all of the statements and schedules included within the financial section of the CAFR.

The introductory information and the statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Raleigh, North Carolina
October 31, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Raleigh (the *City*), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2018. Please read it in conjunction with the transmittal letter at the front of this report and the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

In 2017-18, the City maintained its strong financial position for both its general governmental and business-type funds. Key indicators were overall positive budget variances, increases in fund balance amounts based on operational results, growth of key general taxes and business-type revenues, and continued funding of long-term pensions, risk management claims, and other post-employment benefits (OPEB) and law enforcement officers' special separation allowance (LEOSSA) liabilities on an actuarial basis. The following are summary financial highlights:

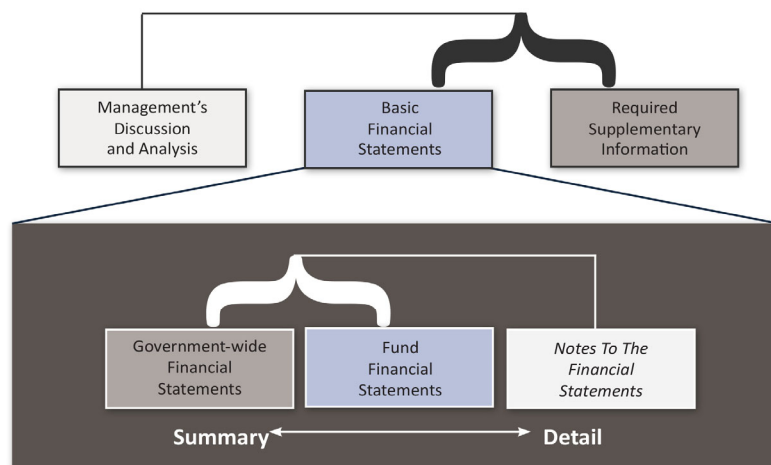
- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$2,305.7 million (*net position*).
 - This amount represents a \$190.4 million increase in operating results from the prior year, or 8.0%
 - Of this amount, \$308.8 million (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$585.3 million.
 - \$392.7 million, or 67.1% is assigned for specific purposes as identified by the City, with the largest assigned amount being \$140.1 for subsequent years' appropriations and \$109.6 million for future debt service
 - \$74.0 million, or 12.6% is unassigned in the general fund and is available for spending at the City's discretion
 - \$8.3 million, or 1.4% is considered nonspendable
 - \$106.2 million, or 18.2% is restricted by outside agencies
 - \$4.1 million, or 0.7% is committed for the law enforcement officers' special separation allowance fund
- At the end of the current fiscal year, fund balance for the general fund was \$281.9 million, a 2.7% increase over the prior year.
- The City had no new debt issuances or refundings during fiscal year 2017-18.
- The City maintained its AAA/Aaa general obligation bond rating from all three major rating agencies.

OVERVIEW OF THE FINANCIAL STATEMENTS

The City provides both an introductory and financial section in the Comprehensive Annual Financial Report (CAFR). As Figure A-1 shows, the financial section has three components – management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements, as follows:
 - Governmental fund statements illustrate how general government services, such as public safety and public infrastructure, for example, were financed in the short-term as well as what remains for future spending.
 - Proprietary fund statements offer short and long-term financial information about the activities the government operates as a business, including the water and sewer enterprise, the convention and performing arts complex (referred to as convention center), and the operations of mass transit, stormwater management, parking facilities and solid waste services. Internal service funds are also presented within this section.
 - Fiduciary fund statements provide information about the financial relationships—for example, the retirement plan for the City's employees—in which the City acts solely as a trustee or agent for the benefit of others to whom the resources in question belong.

A-1: Components of the Financial Section



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements, specifically data related to the employee retirement systems and pension plans. Figure A-1 shows how the required parts of this annual report are arranged and relate to one another. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

The *statement of net position* presents information on all of the City's assets and deferred outflows of resources compared to liabilities and deferred inflows of resources, with the difference between reported as *net position*. This statement combines and consolidates governmental fund's current financial resources (short-term spendable resources) with capital assets and long-term obligations. Over time, increases and decreases in net position may serve as useful indicators of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). This is intended to simplify and summarize the user's analysis of the cost of various governmental services and/or subsidy to various business-type activities. The governmental activities of the City include general government, community development services, public infrastructure, public safety, leisure services, and economic development programs. The business-type activities of the City include water and sewer, convention center complex, mass transit, stormwater management, parking facilities and solid waste services.

The government-wide financial statements include the Walnut Creek Financing Assistance Corporation (*WCFAC, a blended component unit*), an organization formed to be the financing conduit for certain debt issuances, such as certificate of participation. The WCFAC, although legally separate, functions for all practical purposes as a department of the City, and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 1 - 3 of this report.

Fund financial statements. Traditional users of governmental fund financial statements will find the fund financial statements presentation more familiar. However, the focus is on major funds, rather than the individual fund types. The fund financial statements provide a more detailed look at the City's most significant activities.

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Raleigh, like all other governmental entities in North Carolina, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, such as the general statutes or the City's budget ordinance. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

While the focus of governmental funds is narrower than that of the government-wide financial statements, it is still useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains eighteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund, which is considered to be a major fund. Data from the other seventeen non-major governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 4 - 9 of this report.

Proprietary funds. The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer, convention center operations, parking facilities, mass transit, stormwater management operations, and solid waste services. *Internal service funds* are an accounting device used to accumulate and allocate costs internally amongst the City's various functions. The City uses internal service funds to account for governmental and business-type activities, such as risk management, employees' health benefits trust and vehicle fleet services. The City also maintains equipment replacement funds for governmental, solid waste services and public utilities. These internal services benefit government-wide functions except for the public utilities and solid waste services equipment replacement funds, which benefit business-type functions. These services have been included within their respective predominant activities in the government-wide financial statements.

Proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the six enterprise funds, all reported as major. Conversely, all internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 10 - 17 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 18 - 19 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21 - 74 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of Raleigh's progress in funding its obligation to provide pension benefits to City employees, which includes Other Post-Employment Benefits (OPEB), Local Government Employees' Retirement System (LGERS), as well as Law Enforcement Officers' Special Separation Allowance (LEOSSA). Required supplementary information can be found on pages 75 - 82 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 83 - 155 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted previously, net position may serve over time as a useful indicator of a government's financial condition. The City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$2,305.7 million at the close of the most recent fiscal year, which decreased by \$61.0 million from the previous fiscal year. The decrease is a direct result of the required implementation of GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions", which reflects the full burden of the City's long-term OPEB liability. The City complies with new regulations as they are implemented, and the purpose of this statement is to provide transparency related to post-employment benefits other than pensions.

The following table reflects the condensed Statement of Net Position:

City of Raleigh's Net Position (in millions of dollars)						
	Governmental Activities		Business-Type Activities		Total Activities	
	2017	2018	2017	2018	2017	2018
Current and other assets	\$ 725.4	\$ 699.7	\$ 604.9	\$ 601.8	\$ 1,330.3	\$ 1,301.5
Capital assets	1,163.6	1,208.0	1,913.7	1,970.0	3,077.3	3,178.0
Deferred outflows of resources	65.3	50.5	105.9	80.5	171.2	131.0
Total assets and deferred outflows of resources	1,954.3	1,958.2	2,624.5	2,652.3	4,578.8	4,610.5
Long-term debt outstanding	710.5	652.1	1,190.6	1,138.8	1,901.1	1,790.9
Net pension liabilities	104.9	227.5	23.2	67.6	128.1	295.1
Other liabilities	50.9	51.2	118.7	99.6	169.6	150.8
Deferred inflows of resources	9.8	48.7	3.5	19.3	13.3	68.0
Total liabilities and deferred inflows of resources	876.1	979.5	1,336.0	1,325.3	2,212.1	2,304.8
Net investment in capital assets	656.3	695.9	855.4	937.8	1,511.7	1,633.7
Restricted	382.0	363.2	-	-	382.0	363.2
Unrestricted	39.9	(80.4)	433.1	389.2	473.0	308.8
Total net position	\$ 1,078.2	\$ 978.7	\$ 1,288.5	\$ 1,327.0	\$ 2,366.7	\$ 2,305.7

By far the largest portion of the City's net position (\$1,633.7 million or 70.9%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) net of any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Although the City's investment in its capital assets is reported net of outstanding related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (\$363.2 million or 15.7%) represents resources that are subject to external restrictions on how they may be used. The largest portions of restricted net position are for capital projects (\$171.7 million) and community development projects (\$131.8 million). The remaining balance of unrestricted net position (\$308.8 million or 13.4%) may be used to meet the City's ongoing operations.

At the end of the current fiscal year, the City of Raleigh is able to report positive balances in all three categories of net position for the City as a whole. The City reported a deficit in unrestricted net position for governmental activities at the end of fiscal year 2017-18, which is directly related to the implementation of GASB Statement No. 75, as previously referenced. The impacts from this implementation met management's expectations.

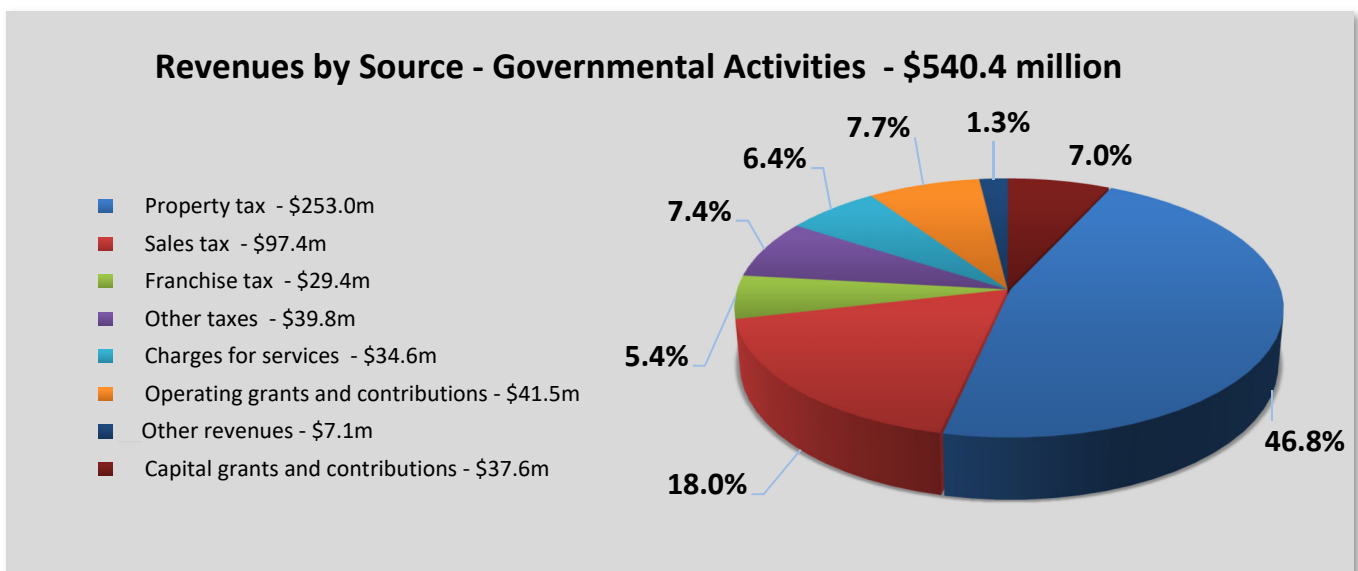
City of Raleigh's Changes in Net Position						
(in millions of dollars)						
	Governmental Activities		Business-Type Activities		Total Activities	
	2017	2018	2017	2018	2017	2018
Revenues:						
Program revenues:						
Charges for services	\$ 44.9	\$ 34.6	\$ 327.8	\$ 343.0	\$ 372.7	\$ 377.6
Operating grants and contributions	37.5	41.5	12.3	11.3	49.8	52.8
Capital grants and contributions	26.5	37.6	9.9	5.9	36.4	43.5
General revenues:						
Property taxes	243.5	253.0	-	-	243.5	253.0
Other taxes	151.8	166.6	-	-	151.8	166.6
Other	16.9	7.1	3.0	4.7	19.9	11.8
Total revenues	521.1	540.4	353.0	364.9	874.1	905.3
Expenses:						
General government	47.4	54.0	-	-	47.4	54.0
Community development services	30.6	28.3	-	-	30.6	28.3
Public infrastructure	69.8	71.5	-	-	69.8	71.5
Public safety	167.2	168.7	-	-	167.2	168.7
Leisure services	63.5	62.7	-	-	63.5	62.7
Economic development programs	3.3	5.5	-	-	3.3	5.5
Interest on long-term debt	19.3	18.9	-	-	19.3	18.9
Water and sewer	-	-	162.0	169.2	162.0	169.2
Convention center complex	-	-	34.2	34.6	34.2	34.6
Mass transit	-	-	41.3	42.1	41.3	42.1
Parking facilities	-	-	12.5	13.0	12.5	13.0
Solid waste services	-	-	30.7	34.1	30.7	34.1
Stormwater management	-	-	15.1	16.6	15.1	16.6
Total expenses	401.1	409.6	295.8	309.6	696.9	719.2
Increase in net position before transfers	120.0	130.8	57.2	55.3	177.2	186.1
Transfers in (out)	(55.3)	(50.8)	55.0	50.8	(0.3)	-
Gain on the sale of property	4.1	3.5	0.2	0.8	4.3	4.3
Capital contribution	(2.7)	-	2.7	-	-	-
Increase in net position	66.1	83.5	115.1	106.9	181.2	190.4
Net position, beginning of year	1,052.0	1,078.2	1,173.4	1,288.5	2,225.4	2,366.7
Restatement	(39.9)	(183.0)	-	(68.4)	(39.9)	(251.4)
Net position, end of year	\$ 1,078.2	\$ 978.7	\$ 1,288.5	\$ 1,327.0	\$ 2,366.7	\$ 2,305.7

The City's net position increased by \$190.4 million in operating results from the prior year. The restatements in the table are representative of the following, which impacted net position:

- 2016-17 restatement of \$39.9 million due to the required implementation of GASB Statement No. 73 "Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB 67 and 68."
- 2017-18 restatement of \$251.4 million due to the required implementation of GASB Statement No. 75, previously referenced.

GOVERNMENTAL ACTIVITIES

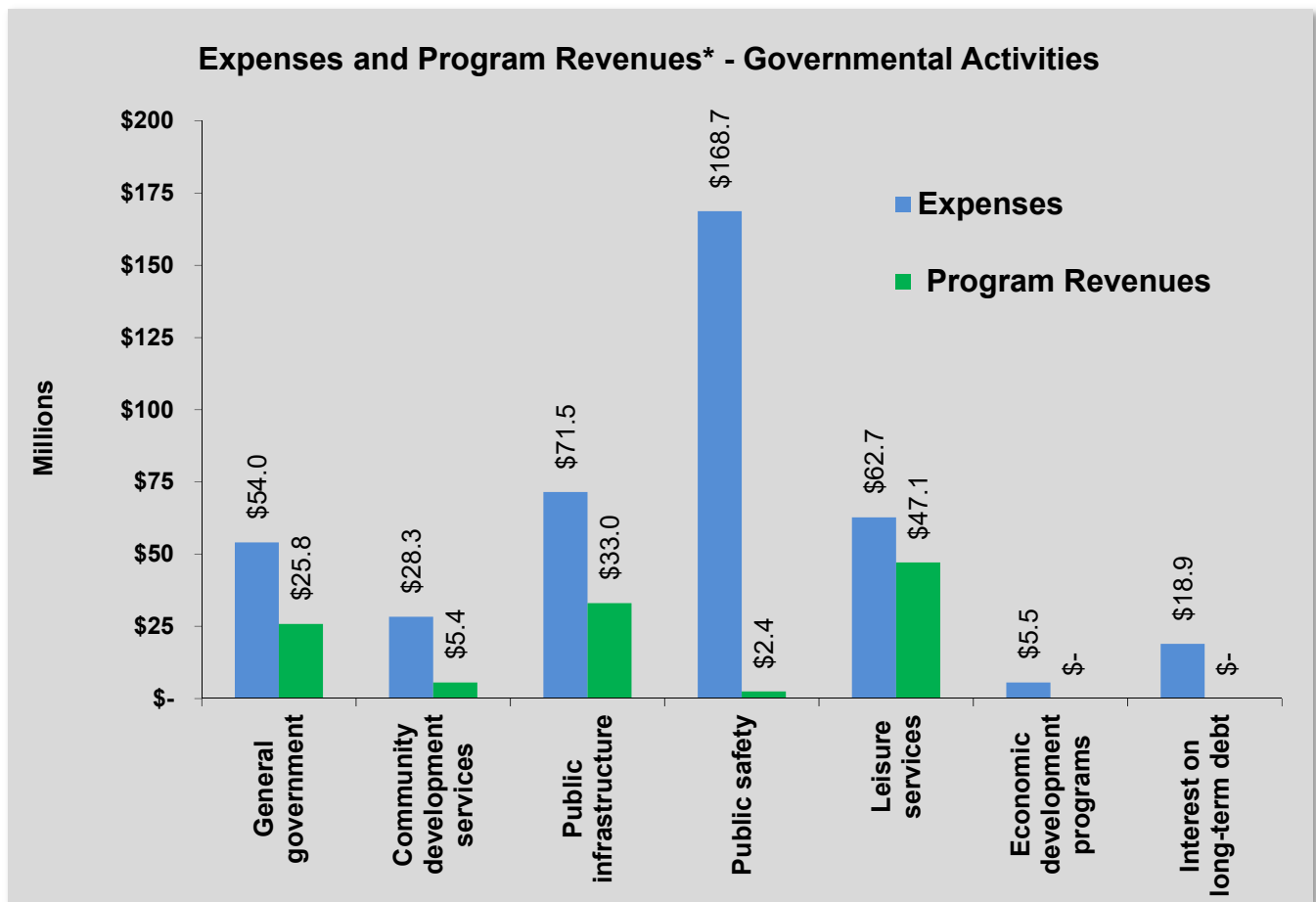
Revenues for the City's governmental activities were \$540.4 million, while expenses were \$409.6 million. The increase in net position from operations for governmental activities (after transfers out of \$50.8 million and a gain on the sale of property of \$3.5 million) was \$83.5 million driven by larger than expected tax and intergovernmental revenues, as well as expenditures coming in well under budget. The impacts of the GASB 75 restatement reduced net position by \$183.0 million, thus resulting in an overall decrease in net position of \$99.5 million for governmental activities.



The reported results for the fiscal year for the governmental activities show that:

- The City received \$426.7 million (or 78.4%) in general revenues from taxes and other revenues:
 - Property taxes - \$253.0 million
 - Sales taxes - \$97.4 million
 - Franchise taxes - \$29.4 million
 - Other taxes - \$39.8 million
 - Other revenues - \$7.1 million
- General revenues are used to pay for the \$295.9 million net cost of governmental activities, which represents the cost of services not covered by program revenues.
- Those who directly benefited from service-fee based programs, such as ones involving parks, recreation and cultural resources and development related fees, paid \$34.6 million in charges for those services.
- Other governments and organizations subsidized certain City programs with grants and contributions totaling \$79.1 million.

- Support from various federal and state agencies – \$51.2 million
- Interlocal support from Wake County for debt service and other expenses on the convention center complex - \$27.9 million
- The total cost of all governmental activities this year was \$409.6 million. This cost was incurred in order to provide comprehensive municipal services to the citizens of Raleigh. These services include, but are not limited to: public safety (police, fire, emergency communication), public infrastructure (street maintenance, transportation), leisure services (parks, recreation and cultural resources), general government (city management, finance, information technology) and others. The City's four largest governmental programs represent 87.2% of the total governmental activities:
 - Public safety – 41.2%
 - Public infrastructure – 17.5%
 - Leisure services - 15.3%
 - General government – 13.2%
- As depicted on the chart below, program expenses exceed program revenues for all governmental activities. This is to be expected as other general sources of revenue such as property taxes and sales taxes received by the City are used to subsidize the gap between program expenditures and program revenues.



* Program revenues include charges for services, grant revenues and capital contributions

BUSINESS-TYPE ACTIVITIES

Revenues of the City's business-type activities were \$364.9 million, and expenses were \$309.6 million. The increase in net position from operations for business-type activities (after transfers in of \$50.8 million and a gain on the sale of property of \$0.8 million) was \$106.9 million in 2018. After the restatement of \$68.4 million for new reporting requirements related to other post-employment benefits, as previously noted, there was an overall increase in net position of \$38.5 million for business-type activities. The following table shows the total cost and net cost or revenue for these services.

Net Cost of Business-Type Activities (in millions of dollars)				
	Total Cost of Services		Net (Cost) Revenue of Services	
	2017	2018	2017	2018
Water and sewer	\$ 162.0	\$ 169.2	\$ 82.4	\$ 88.0
Convention center complex	34.2	34.6	(19.1)	(19.9)
Mass transit	41.3	42.1	(16.8)	(22.9)
Parking facilities	12.5	13.0	3.3	3.2
Solid waste services	30.7	34.1	(3.4)	(6.3)
Stormwater management	15.1	16.6	7.8	8.5
Total	\$ 295.8	\$ 309.6	\$ 54.2	\$ 50.6

The largest business-type operation is the City's water and sewer utility. Water and sewer operating revenue of \$252.0 million reflects an increase of 5.1% from the prior year. The increase in revenue was consistent with management's expectations and reflective of financial projection models. Operating expenses of \$142.6 million increased 3.3% from 2016-17, which was consistent with expectations. Water and sewer utility operations are supported by financial models to ensure both operational and capital infrastructure needs are maintained and properly funded.

Convention Center Complex operations, including the Performing Arts venue, recognized \$14.7 million of operating revenues in 2017-18, a decrease of 2.6% over 2016-17. Continued management of event offerings and diversifications of show types is being explored to generate increased revenue growth. Operating expenses slightly decreased by \$0.2 million from the prior year, due to diligent monitoring and management of expenses. The Convention Center Complex is partially funded by outside sources, specifically Wake County room occupancy tax and prepared food and beverage tax. In addition, the general fund provides a subsidy to the Performing Arts Center. Overall, operations were consistent with expectations.

The parking facilities operations generated \$16.3 million of revenues in 2017-18, an increase of 3.2% from 2016-17. This is the result of continued growth in the downtown area and an increased demand for parking. Operating expenses increased 2.7% from the prior year, which is consistent with expectations.

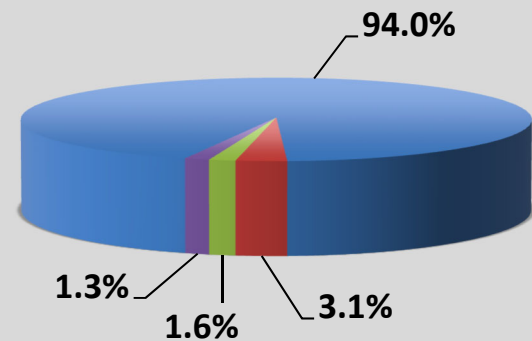
Mass transit operating revenues of \$5.7 million reflects a 14.9% decrease from the prior year. The main driver of this decrease was from expected reductions in express bus routes which were previously in place to mitigate traffic impacts from large road construction projects in key thoroughfares throughout the City. This fiscal year represented the first year that the City received funding from the Wake Transit Plan, which distributes the 0.5% sales tax collected within Wake County to support improved transit services. Operating expenses increased 1.9% compared to prior year. The mass transit operations are subsidized by the general fund and at the federal and state level through grant funding. Overall, mass transit operations met expectations.

Stormwater management operating revenues of \$23.0 million are 1.3% higher than in the prior year, due to continued growth within the City. Operating expenses of \$16.8 million increased 10.5% from prior year, due to the continued consolidation of existing personnel within the stormwater street maintenance division that were previously reported in the general fund of the City as well as new positions added. Stormwater management results met expectations.

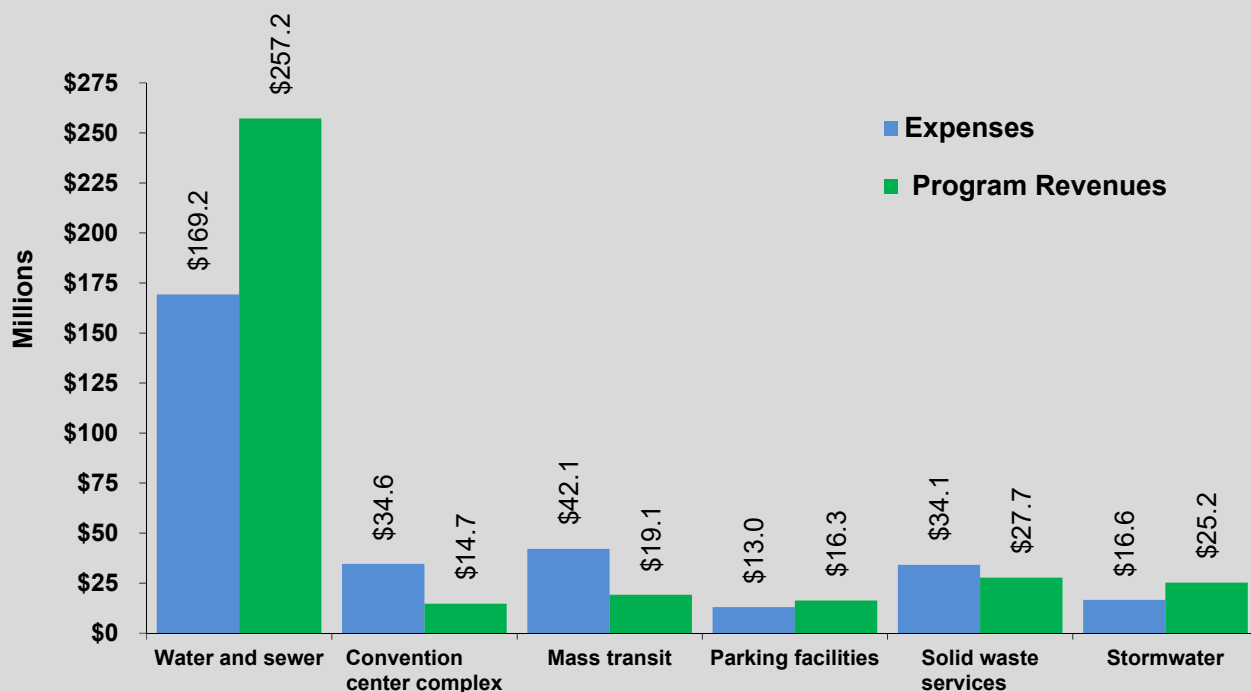
Solid waste services operating revenues of \$27.3 million increased 1.9% from the prior year. Solid waste services operations are partially subsidized by the general fund. Operating expenses increased \$2.6 million compared to 2016-17, due to increased costs for agreed upon coverage of resources allocated for customer service and billing functions. Overall results are in line with expectations.

Revenues by Source - Business-type Activities - \$364.9 million

- Charges for services - \$343.0m
- Operating grants and contributions - \$11.3m
- Capital grants and contributions - \$5.9m
- Other revenue - \$4.7m



Expenses and Program Revenues* - Business-type Activities



* Program revenues include charges for services, grant revenues and capital contributions

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City of Raleigh uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *assigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the fiscal year, the City of Raleigh's governmental funds reported combined ending fund balances of \$585.3 million, a decrease of \$14.8 million or 2.5%, in comparison with the prior year. The fund balance decrease in 2017-18 was anticipated after City Council approved use of fund balance at the end of prior fiscal year for several one-time obligations prioritized at that time. See more on the City's policy regarding fund balance on the next page.

Classification of this fund balance is as follows:

- Approximately 1.4% is considered to be *nonspendable*, representing the City's investment in inventories.
- Approximately 18.2% is *restricted* to indicate that it is not available for new spending because it has already been restricted for:
 - State statute - \$57.8 million
 - Debt service costs and encumbrances - \$46.0 million
 - Federal program reserves - \$1.9 million
 - Public safety - \$0.5 million
- Approximately 67.1% constitutes *assigned* fund balance, which is available for spending at the government's discretion.
- Approximately 0.7% is *committed* fund balance, and represents the accumulated assets of the law enforcement officers' separation allowance plan.
- The remaining 12.6% of fund balance is *unassigned*, and represents the City's residual net resources.

Governmental Fund Balance Classification at June 30, 2018 (in millions of dollars)				
	Major General Fund	Nonmajor Governmental	Total Governmental	%
Nonspendable	\$ 8.3	\$ -	\$ 8.3	1.4%
Restricted:				
State statute	57.8	-	57.8	9.9%
Debt service	-	46.0	46.0	7.9%
Federal programs	1.9	-	1.9	0.3%
Public safety	-	0.5	0.5	0.1%
	59.7	46.5	106.2	18.2%
Committed	4.1	-	4.1	0.7%
Assigned	135.7	257.0	392.7	67.1%
Unassigned	74.0	-	74.0	12.6%
Total fund balance	\$ 281.8	\$ 303.5	\$ 585.3	100.0%

The general fund is the chief operating fund of the City. The fund balance of the general fund increased by \$7.3 million during the current fiscal year. General governmental revenues were almost \$4.2 million less than budgeted for the current year but showed positive growth overall from year to year. Revenues were utilized for normal City programs and operations, including the multi-year compensation and pay structure program.

The North Carolina Local Government Commission strongly recommends that local governments maintain an unassigned fund balance of at least 8.0% of general fund expenditures. The City's policy is to maintain an unassigned fund balance of at least 14.0% of the succeeding year's expenditure budget. Unassigned fund balance of \$74.0 million represents 14.4% of the 2018-19 general fund expenditure budget. Unassigned fund balance is the amount remaining after management's policy designations. City Council will review unassigned fund balance in excess of the internal 14.0% policy at fiscal year-end to determine, at their discretion, if they want to appropriate amounts for one-time obligations during the next budget year to support key City initiatives and projects.

Proprietary funds. The City of Raleigh's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. All enterprise funds are treated as major funds and include the water and sewer, convention and performing arts complex, mass transit, stormwater management, parking facilities and solid waste services funds. Additional discussion concerning the finances of these funds has already been addressed in the discussion of the City's business-type activities.

BUDGETARY HIGHLIGHTS

During the fiscal year, City Council approved various modifications to the original, approved budget. Generally, budget amendments fall into one of four categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once final information is available; 2) amendments made to recognize new funding amounts from external sources, such as from Federal or State grants; 3) increases in appropriations that become necessary to maintain services; and 4) amounts that are carried over from the previous year and re-designated for the subsequent year's expenditures.

General Fund. General fund revenues overall continued to increase, including the City's primary revenue streams of property tax and sales tax. Budget variances during 2017-18 reflect slower than anticipated growth, and management continues to monitor receipts of these key revenue sources. General fund expenditures came in well below budget, which resulted in a positive budget variance of \$43.9 million. All expenditure functions and departments reported positive budget variances, which is a result of conservative budget practices as well as the City's cost management efforts.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The City of Raleigh's cumulative investment in capital assets for its governmental and business-type activities, as of June 30, 2018, amounts to \$3.2 billion (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, watershed protection rights, buildings and machinery, water and sewer systems, streets and sidewalks, parking decks, buses, equipment, furniture and fixtures, enterprise-wide software and general improvements. The City's investment in capital assets for the current fiscal year was \$100.7 million, a 3.3% increase over prior year.

Major capital asset investments during the fiscal year included the following:

- Construction began and/or was completed for governmental activities including a variety of street, park and greenway projects. Total governmental projects completed and capitalized in fiscal year 2017-18 were \$90.0 million. Examples include:
 - Raleigh Union Station was completed for a total capitalized cost of \$73.6 million
 - The Horseshoe Farm Nature Preserve was completed for a total capitalized cost of \$3.2 million

- Fire station projects were completed for a total capitalized cost of \$3.2 million
- Various information technology projects were completed for a total capitalized cost of \$3.0 million
- Park building improvements and roof repairs were completed for a total capitalized cost of \$5.1 million
- Several other technology, streets, parks and miscellaneous projects were completed for a total capitalized cost of \$1.9 million
- Governmental equipment acquisitions added \$14.6 million to the City's rolling stock inventory
- Construction in progress for all governmental activities was \$311.3 million
- Construction began and/or was completed on additional facilities for various enterprise operations. Total enterprise projects completed and capitalized in fiscal year 2017-18 amounted to \$63.9 million. There were significant enterprise projects completed that attributed to the total including:
 - Water & Sewer Utility Projects:
 - Smith Creek Interceptor Improvements - \$10.9 million
 - Improvements to the EM Johnson Water Treatment Plant - \$8.0 million
 - Walnut Creek Lift Station Improvements - \$7.2 million
 - Little River Reservoir Improvements - \$4.0 million
 - Lake and Stream Restoration Projects - \$3.0 million
 - Stormwater Drainage System Projects - \$6.7 million
 - Dillion Station Parking Deck - \$10.0 million
 - General Infrastructure Projects:
 - Moore Square Station Renovations - \$2.3 million
 - Fire Hydrant Nozzle Replacements - \$2.0 million
 - Other various enterprise projects were completed for a total capitalized cost of \$9.8 million
- Enterprise equipment acquisitions added \$7.3 million to the City's rolling stock inventory
- Construction in progress for all enterprise activities was \$482.3 million
- Annexations added \$0.4 million to streets for governmental activities and \$1.6 million to water and sewer systems for the business-type activities

Capital Assets* <i>(in millions of dollars)</i>						
	Governmental Activities		Business-type Activities		Total Activities	
	2017	2018	2017	2018	2017	2018
Land	\$ 208.3	\$ 211.2	\$ 82.6	\$ 82.7	\$ 290.9	\$ 293.9
Construction in progress	318.4	311.3	435.5	482.4	753.9	793.7
Watershed protection rights	-	-	4.7	4.7	4.7	4.7
Buildings and machinery	170.0	236.0	282.2	272.4	452.2	508.4
Water and sewer systems	-	-	828.3	809.8	828.3	809.8
Streets and sidewalks **	270.9	249.1	1.5	-	272.4	249.1
Parking decks	-	-	99.5	105.7	99.5	105.7
Buses	-	-	13.9	13.0	13.9	13.0
Equipment	29.7	36.9	29.9	30.5	59.6	67.4
Improvements	135.9	135.5	135.6	168.8	271.5	304.3
Enterprise-wide software	30.4	28.0	-	-	30.4	28.0
Total	\$1,163.6	\$1,208.0	\$1,913.7	\$1,970.0	\$3,077.3	\$3,178.0

*Amounts shown net of accumulated depreciation

** Streets and sidewalks for business-type activities consolidated with improvements in fiscal year 2017-18

Additional information on the City's capital assets can be found on pages 32 - 34 of the notes to the financial statements of this report.

Long-term debt. At the end of the current fiscal year, the City had total general obligation bonds outstanding of \$323.5 million. The remainder of the City's debt represents revenue bonds (\$673.8 million) and installment financing agreements (\$622.8 million – installment notes, certificates of participation, limited obligation bonds, etc.) secured solely by specified revenue sources and property.

Long-Term Debt <i>(in millions of dollars)</i>						
	Governmental Activities		Business-type Activities		Total Activities	
	2017	2018	2017	2018	2017	2018
General obligation bonds	\$ 349.4	\$ 323.5	\$ -	\$ -	\$ 349.4	\$ 323.5
Revenue bonds	-	-	696.9	673.8	696.9	673.8
Installment financing agreements	264.4	235.8	412.9	387.0	677.3	622.8
Total	\$ 613.8	\$559.3	\$ 1,109.8	\$1,060.8	\$1,723.6	\$1,620.1

State statute limits the amount of general obligation debt a governmental entity may issue to 8.0% of the total assessed value of taxable property. The City's outstanding net debt of \$1,251.0 million (*Legal Debt Margin Information statistical schedule*) is significantly less than the current debt limitation of \$4,735.6 million.

Raleigh continues to benefit from outstanding credit ratings as evidenced by the aforementioned placements, earning the highest general obligation and revenue bond credit ratings and excellent certificate of participation and limited obligation bond ratings from all three major rating agencies.

Additional discussion concerning the outstanding debt of the City has already been addressed in the Financial Highlights section of this report. Further information on the City of Raleigh's long-term debt can be found in the notes to the financial statements on pages 37 - 49 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

As noted in the above discussion and analysis, the financial results for the year ended June 30, 2018 continue to reflect positive trends in the local economy. The improvements in property tax, sales tax and certain growth-related revenues are projected to continue for fiscal year 2018-19 but at a slower pace, and combined with ongoing diligent management of City expenses, should result in the City again meeting our fund balance goals and maintaining our AAA/Aaa general credit ratings. Through these budget plans, City management and staff remain committed to providing Raleigh citizens a high quality of service at a reasonable cost.

Highlights of the City's budget for the 2018-19 fiscal year include the following:

- The 2018-19 combined budgets for operating and capital programs totals \$971.4 million, representing a 5.7% overall increase over the 2017-18 combined budget.
- The adopted General Fund budget for 2018-19 of \$509.1 million increased 3.8% over the prior year adopted budget.
 - The primary revenue source, property taxes, is budgeted at \$265.8 million, an increase of \$12.0 million, or 4.7% from 2017-18.
 - The 2018-19 budget for sales tax is \$104.0 million, an increase of \$5.1 million, or 5.2% from 2017-18.
- Consistent with the City's multi-year utility rate model, the budget for water and sewer charges increased 2.9% from \$238.4 million to \$245.3 million for the 2018-19 budget year. This increase is attributed to approved water and sewer rate adjustments.
- The 2018-19 capital budget includes new and/or continuing projects totaling \$328.5 million, including projects for roads, parks, utilities and general public facilities.

REQUESTS FOR INFORMATION

This report is designed to provide readers with a full accountability of the City of Raleigh's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the:

Office of the Chief Financial Officer
City of Raleigh
PO Box 590
Raleigh, North Carolina 27602
(919) 996-3215

Basic Financial Statements

The Basic Financial Statements provide a dual perspective summary overview of the financial position and operating results of the government as a whole (government-wide financial statements) and of all funds (fund financial statements). They also serve as a condensed introduction to the more detailed statements and schedules that follow.

STATEMENT OF NET POSITION

June 30, 2018

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 471,471,770	\$ 454,703,319	\$ 926,175,089
Taxes receivable, net of allowance for uncollectibles of \$9,627,868	305,480	-	305,480
Assessments receivable, net of allowance for uncollectibles of \$297,464	856,644	600,811	1,457,455
Customer receivables, net of allowance for uncollectibles of \$9,916,767	27,927	29,362,970	29,390,897
Franchise tax receivable	7,570,137	-	7,570,137
Due from transit management	-	2,259,382	2,259,382
Due from other governmental agencies	13,424,812	7,120,145	20,544,957
Accrued interest receivable	2,054,668	1,974,264	4,028,932
Other receivables and assets	2,609,425	1,078,888	3,688,313
Sales tax receivable	29,691,421	3,627,282	33,318,703
Internal balances	4,648,260	(4,648,260)	-
Inventories	4,423,572	9,040,381	13,463,953
Loans receivable, net of allowance \$6,751,151	66,318,477	-	66,318,477
Cash and cash equivalents/investments - restricted deposits and bond proceeds	96,315,654	96,674,431	192,990,085
Capital assets:			
Land, construction in progress, watershed protection rights	522,495,487	569,777,060	1,092,272,547
Other capital assets, net of depreciation	685,557,663	1,400,169,318	2,085,726,981
Total assets	<u>1,907,771,397</u>	<u>2,571,739,991</u>	<u>4,479,511,388</u>
DEFERRED OUTFLOWS OF RESOURCES			
Unamortized refunding charges	8,949,571	28,700,239	37,649,810
Pension deferrals - LEOSA	5,760,159	-	5,760,159
Pension deferrals - LGERS	35,751,526	7,830,874	43,582,400
Accumulated decrease in fair value of hedging derivatives	-	43,997,599	43,997,599
Total deferred outflows of resources	<u>50,461,256</u>	<u>80,528,712</u>	<u>130,989,968</u>
LIABILITIES			
Accounts payable	22,442,031	13,421,193	35,863,224
Accrued salaries and employee payroll taxes	11,952,768	1,462,718	13,415,486
Accrued interest payable	4,404,223	10,977,555	15,381,778
Sales tax payable	19,471	38,142	57,613
Loan servicing escrow	1,180,611	-	1,180,611
Due to other governmental agencies	1,027,219	723,005	1,750,224
Due to fiduciary funds	174,858	-	174,858
Other current liabilities	75,047	-	75,047
Escrow and other deposits payable from restricted assets	3,511,705	29,011,647	32,523,352
Reimbursable facility fees	6,394,130	-	6,394,130
Derivative instrument liability	-	43,997,599	43,997,599
Long-term liabilities:			
Due within one year	74,052,231	60,566,364	134,618,595
Due in more than one year	578,099,541	1,078,195,984	1,656,295,525
Net pension liability - LEOSA	45,440,181	-	45,440,181
Net pension liability - LGERS	41,550,681	15,128,759	56,679,440
Net pension liability - OPEB	140,494,484	52,452,354	192,946,838
Total liabilities	<u>930,819,181</u>	<u>1,305,975,320</u>	<u>2,236,794,501</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue	3,434,088	2,585,843	6,019,931
Pension deferrals - LEOSA	614,422	-	614,422
Pension deferrals - LGERS	2,490,006	953,356	3,443,362
Pension deferrals - OPEB	42,072,857	15,733,468	57,806,325
Prepaid taxes and assessments	127,954	-	127,954
Total deferred inflows of resources	<u>48,739,327</u>	<u>19,272,667</u>	<u>68,011,994</u>
NET POSITION			
Net investment in capital assets	695,890,048	937,858,879	1,633,748,927
Restricted for:			
Capital projects	171,686,256	-	171,686,256
Community development projects	131,804,589	-	131,804,589
Stabilization by state statute	57,797,258	-	57,797,258
Federal programs	1,873,185	-	1,873,185
Unrestricted	(80,377,191)	389,161,837	308,784,646
Total net position	<u>\$ 978,674,145</u>	<u>\$ 1,327,020,716</u>	<u>\$ 2,305,694,861</u>

The notes to the financial statements are an integral part of this statement.

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 53,953,773	\$ 22,894,642	\$ 2,819,232	\$ 66,779
Community development services	28,276,286	272,934	3,395,207	1,792,272
Public infrastructure	71,551,809	1,102,535	3,234,990	28,678,662
Public safety	168,747,111	-	2,394,891	-
Leisure services	62,671,869	10,367,810	29,658,073	7,094,165
Economic development programs	5,473,676	-	-	-
Interest on long-term debt	18,931,316	-	-	-
Total governmental activities	409,605,840	34,637,921	41,502,393	37,631,878
Business-type activities:				
Water and sewer	169,216,822	255,568,308	-	1,610,726
Convention center complex	34,628,491	14,735,981	-	-
Mass transit	42,090,546	5,706,551	11,272,014	2,173,467
Parking facilities	12,989,299	16,258,571	-	-
Solid waste services	34,050,757	27,708,813	-	-
Stormwater	16,648,169	23,043,447	-	2,126,498
Total business-type activities	309,624,084	343,021,671	11,272,014	5,910,691
Total City of Raleigh	\$ 719,229,924	\$ 377,659,592	\$ 52,774,407	\$ 43,542,569

The notes to the financial statements are an integral part of this statement.

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2018

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-type Activities	Total
Governmental activities:			
General government	\$ (28,173,120)	\$ -	\$ (28,173,120)
Community development services	(22,815,873)	-	(22,815,873)
Public infrastructure	(38,535,622)	-	(38,535,622)
Public safety	(166,352,220)	-	(166,352,220)
Leisure services	(15,551,821)	-	(15,551,821)
Economic development programs	(5,473,676)	-	(5,473,676)
Interest on long-term debt	(18,931,316)	-	(18,931,316)
Total governmental activities	(295,833,648)	-	(295,833,648)
Business-type activities:			
Water and sewer	-	87,962,212	87,962,212
Convention center complex	-	(19,892,510)	(19,892,510)
Mass transit	-	(22,938,514)	(22,938,514)
Parking facilities	-	3,269,272	3,269,272
Solid waste services	-	(6,341,944)	(6,341,944)
Stormwater	-	8,521,776	8,521,776
Total business-type activities	-	50,580,292	50,580,292
Total City of Raleigh	(295,833,648)	50,580,292	(245,253,356)
General revenues:			
Taxes:			
Property taxes, levied for general purpose	252,991,623	-	252,991,623
Local sales tax	97,393,742	-	97,393,742
Franchise tax	29,425,373	-	29,425,373
Other taxes	39,793,558	-	39,793,558
Unrestricted investment earnings	5,000,009	4,722,257	9,722,266
Gain on the sale of property	3,454,845	769,230	4,224,075
Miscellaneous	2,115,853	-	2,115,853
Total general revenues not including transfers	430,175,003	5,491,487	435,666,490
Transfers	(50,803,018)	50,803,018	-
Total general revenues and transfers	379,371,985	56,294,505	435,666,490
Change in net position	83,538,337	106,874,797	190,413,134
Net position - beginning of year	1,078,187,451	1,288,514,605	2,366,702,056
Restatement, OPEB	(183,051,643)	(68,368,686)	(251,420,329)
Net position - end of year	\$ 978,674,145	\$ 1,327,020,716	\$ 2,305,694,861

The notes to the financial statements are an integral part of this statement.

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2018

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 242,110,765	\$ 172,918,287	\$ 415,029,052
Taxes receivable, net of allowance for uncollectibles of \$9,627,868	305,480	-	305,480
Assessments receivable, net of allowance for uncollectibles of \$196,091	326,844	529,800	856,644
Customer receivables	27,927	-	27,927
Franchise taxes receivable	7,570,137	-	7,570,137
Due from other governmental agencies	2,828,590	10,596,222	13,424,812
Accrued interest receivable	1,278,298	622,209	1,900,507
Other receivables and assets	1,355,426	822	1,356,248
Sales tax receivable	28,152,954	934,933	29,087,887
Due from other funds	11,931,795	645,823	12,577,618
Inventories	3,778,316	-	3,778,316
Loans receivable, net of allowance for uncollectibles of \$6,751,151	4,498,391	61,820,086	66,318,477
Cash and cash equivalents /investments - restricted deposits and bond proceeds	49,596	85,042,828	85,092,424
Total assets	<u>\$ 304,214,519</u>	<u>\$ 333,111,010</u>	<u>\$ 637,325,529</u>
LIABILITIES			
Accounts payable	\$ 6,851,900	\$ 14,605,757	\$ 21,457,657
Accrued salaries and employee payroll taxes	11,781,316	67,790	11,849,106
Sales tax payable	12,407	3,608	16,015
Loan servicing escrow	922,446	258,165	1,180,611
Other liabilities	75,047	-	75,047
Due to other funds	480,417	1,259,509	1,739,926
Reimbursable facility fees	391,109	6,003,021	6,394,130
Escrow and other deposits payable from restricted assets	21,899	3,489,806	3,511,705
Due to other governmental agencies	874,468	152,751	1,027,219
Total liabilities	<u>21,411,009</u>	<u>25,840,407</u>	<u>47,251,416</u>
DEFERRED INFLOWS OF RESOURCES			
Property tax receivable	305,480	-	305,480
Assessments receivable	326,844	529,800	856,644
Prepaid assessments	-	6,653	6,653
Prepaid taxes and facility fees	121,301	-	121,301
Unearned revenue	190,783	3,243,305	3,434,088
Total deferred inflows of resources	<u>944,408</u>	<u>3,779,758</u>	<u>4,724,166</u>
FUND BALANCES			
Nonspendable:			
Inventories	3,778,316	-	3,778,316
Loans receivable	4,498,391	-	4,498,391
Restricted:			
Stabilization by state statute	57,797,258	-	57,797,258
Debt service	-	45,992,408	45,992,408
Federal program reserves	1,873,185	-	1,873,185
Public safety	-	500,768	500,768
Committed:			
LEO	4,088,086	-	4,088,086
Assigned:			
Subsequent year's appropriation	16,770,259	123,314,257	140,084,516
Community development	8,641,132	72,955,290	81,596,422
City projects	774,517	58,180,489	58,955,006
Disaster recovery	-	2,547,633	2,547,633
Debt service	109,605,110	-	109,605,110
Unassigned	74,032,848	-	74,032,848
Total fund balances	<u>281,859,102</u>	<u>303,490,845</u>	<u>585,349,947</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 304,214,519</u>	<u>\$ 333,111,010</u>	<u>\$ 637,325,529</u>

The notes to the financial statements are an integral part of this statement.

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION**

June 30, 2018

Total *fund balances* for governmental funds \$ 585,349,947

Total *net position* reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land and Construction in progress	\$ 522,495,487	
Capital Assets being depreciated, net	654,197,984	
	<u>\$ 1,176,693,471</u>	1,176,693,471

The net pension assets/liabilities resulting from contributions greater than or less than the amount of annual required contributions are not financial resources and therefore are not reported in the funds.

Law Enforcement Officer's (LEOSSA)	\$ (45,440,181)	
Pensions (LGRS)	(40,436,025)	
Other Post Retirement Benefits (OPEB)	(136,678,455)	
	<u>\$ (222,554,661)</u>	(222,554,661)

The deferred outflows of resources related to pensions are not reported in the funds.

Law Enforcement Officer's (LEOSSA)	\$ 5,760,159	
Pensions (LGRS)	35,161,973	
	<u>\$ 40,922,132</u>	40,922,132

The deferred inflows of resources related to pensions are not reported in the funds.

Law Enforcement Officer's (LEOSSA)	\$ (614,422)	
Pensions (LGRS)	(2,388,872)	
Other Post Retirement Benefits (OPEB)	(40,952,893)	
	<u>\$ (43,956,187)</u>	(43,956,187)

Deferred issuance costs are reported as expenditures in the funds because current financial resources are used. In the governmental activities issuance costs are recorded as a long-term asset and amortized over the life of the debt. 8,949,571

Internal service funds are used by management to charge the costs of certain activities, such as risk management, employees' health benefits, equipment replacement and vehicle fleet services to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net position. 40,041,280

Taxes receivable and assessments receivable, will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred inflows of resources in the funds.

Taxes receivable	\$ 305,480	
Assessments receivable	856,644	
	<u>\$ 1,162,124</u>	1,162,124

Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds as these payables are long-term in nature.

General Obligation Bonds, net	\$ (369,455,821)	
Installment Financing Agreements, net	(212,711,909)	
Earned Vacation Pay	(21,454,054)	
Accrued Interest Payable	(4,311,748)	
	<u>\$ (607,933,532)</u>	(607,933,532)

Net position of governmental activities \$ 978,674,145

The notes to the financial statements are an integral part of this statement.

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**

GOVERNMENTAL FUNDS

For the Fiscal Year Ended June 30, 2018

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Ad valorem taxes	\$ 252,968,791	\$ -	\$ 252,968,791
Intergovernmental	23,478,864	60,392,219	83,871,083
Project revenue (non-grant)	-	2,092,482	2,092,482
Non-governmental	-	127,673	127,673
Assessments	-	1,349,409	1,349,409
Franchise tax	29,425,373	-	29,425,373
Local sales tax	97,393,742	-	97,393,742
Licenses	14,909,665	-	14,909,665
Gain (loss) on investments	3,350,497	2,083,914	5,434,411
Inspections fees	16,663,457	-	16,663,457
Highway maintenance refunds	1,078,803	-	1,078,803
Facility fees	-	9,626,671	9,626,671
Parks and recreation fees	6,368,432	-	6,368,432
Other fees and charges	6,743,448	284,509	7,027,957
Rents	2,079,485	395,525	2,475,010
Program income	36,368	1,309,369	1,345,737
Donations and contributions	1,609,616	2,090,645	3,700,261
Miscellaneous other	979,560	250,456	1,230,016
Total revenues	<u>457,086,101</u>	<u>80,002,872</u>	<u>537,088,973</u>
EXPENDITURES			
Current:			
General government	49,935,003	2,764,546	52,699,549
Community development services	28,627,282	1,901,818	30,529,100
Public infrastructure	38,114,394	65,203,967	103,318,361
Public safety	168,844,487	10,285,230	179,129,717
Leisure services	50,692,280	15,276,026	65,968,306
Economic development programs	1,576,768	3,896,908	5,473,676
Debt service:			
Principal	43,398,568	-	43,398,568
Interest	21,488,364	-	21,488,364
Other debt service expenditures	326,255	-	326,255
Total expenditures	<u>403,003,401</u>	<u>99,328,495</u>	<u>502,331,896</u>
Excess (deficiency) of revenues over (under) expenditures	<u>54,082,700</u>	<u>(19,325,623)</u>	<u>34,757,077</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	11,815,414	30,801,381	42,616,795
Transfers out	(58,960,583)	(36,058,946)	(95,019,529)
Gain (loss) on sale of property	404,106	2,444,235	2,848,341
Total other financing sources (uses)	<u>(46,741,063)</u>	<u>(2,813,330)</u>	<u>(49,554,393)</u>
Net change in fund balances	7,341,637	(22,138,953)	(14,797,316)
Fund balances, beginning of year	274,517,465	325,629,798	600,147,263
Fund balances, end of year	<u>\$ 281,859,102</u>	<u>\$ 303,490,845</u>	<u>\$ 585,349,947</u>

The notes to the financial statements are an integral part of this statement.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

For the Fiscal Year Ended June 30, 2018

Net change in *fund balances* - total governmental funds \$ (14,797,316)

The change in *net position* reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital Outlays	\$ 85,495,205	
Depreciation	(46,961,974)	
	<u>\$ 38,533,231</u>	38,533,231

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Annexations	\$ 440,352	
Property taxes	22,832	
Assessments	(254,036)	
Loss on sale of assets	(4,456)	
	<u>\$ 204,692</u>	204,692

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal repayments:		
General obligation debt	\$ (25,855,000)	
Installment financing	(17,543,568)	
Net adjustment	<u>\$ (43,398,568)</u>	43,398,568

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. Changes in these expenses are shown below.

Earned vacation pay	\$ (920,188)	
Accrued interest expense	276,488	
Net pension expense - LEOSSA	231,829	
Net pension expense - LGERS	1,207,546	
Net pension expense - OPEB	4,158,219	
	<u>\$ 4,953,894</u>	4,953,894

Governmental funds report premiums on bonds issued as an other financing source. In the governmental activities bond premiums are recorded as a liability and amortized over the life of the debt. Amortization for bond issue costs, deferred refunding and premium on bonds are expenses or reduction of expenses in the governmental activities.

3,214,926

Internal service funds are used by management to charge the costs of certain activities, such as risk management, equipment replacement, and central garage to individual funds. The net expense of certain activities of internal service funds is reported with governmental activities.

8,030,342

Change in net position of governmental activities \$ 83,538,337

The notes to the financial statements are an integral part of this statement.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
For the Fiscal Year Ended June 30, 2018

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
REVENUES				
Ad valorem taxes - Real & Other Property	\$ 235,648,320	\$ 235,648,320	\$ 235,344,198	\$ (304,122)
Ad valorem taxes - Vehicles	18,180,513	18,180,513	17,624,593	(555,920)
Intergovernmental	22,636,222	22,644,719	23,478,864	834,145
Franchise tax	29,400,000	29,400,000	29,425,373	25,373
Local sales tax	98,900,000	98,900,000	97,393,742	(1,506,258)
Licenses	14,943,800	14,943,800	14,909,665	(34,135)
Gain (loss) on investments	3,715,695	3,985,695	3,350,497	(635,198)
Inspection fees	18,613,332	18,607,132	16,663,457	(1,943,675)
Highway maintenance refunds	1,300,000	1,300,000	1,078,803	(221,197)
Parks and recreation fees	7,066,883	7,073,083	6,368,432	(704,651)
Other fees and charges	7,760,469	7,764,069	6,743,448	(1,020,621)
Rents	423,612	423,612	2,079,485	1,655,873
Program income	82,000	82,000	36,368	(45,632)
Donations and contributions	1,092,610	1,312,923	1,609,616	296,693
Other revenues	1,025,606	1,039,546	979,560	(59,986)
Total revenues	<u>460,789,062</u>	<u>461,305,412</u>	<u>457,086,101</u>	<u>(4,219,311)</u>
EXPENDITURES				
General government:				
City council	411,697	411,683	323,976	87,707
City clerk	642,322	672,048	557,524	114,524
City attorney	3,508,943	3,532,108	3,207,009	325,099
Special appropriations	19,178,805	19,065,037	18,688,860	376,177
Agency appropriations	4,384,465	5,038,757	4,316,562	722,195
City manager	2,931,336	3,099,056	2,754,469	344,587
Communications	3,349,967	3,425,944	2,817,652	608,292
Human resources	4,356,592	4,765,682	4,158,315	607,367
Administrative service	1,620,613	1,924,442	1,571,356	353,086
Finance	6,262,904	6,556,903	5,612,009	944,894
Information technology	21,124,713	23,186,976	20,521,638	2,665,338
Total general government	<u>67,772,357</u>	<u>71,678,636</u>	<u>64,529,370</u>	<u>7,149,266</u>
Community development services:				
Planning	5,300,538	5,810,920	4,635,293	1,175,627
Development Services	16,370,856	16,613,790	14,438,441	2,175,349
Community services	14,028,136	16,400,500	9,553,548	6,846,952
Economic development	1,858,561	1,872,568	1,576,768	295,800
Total community development services	<u>37,558,091</u>	<u>40,697,778</u>	<u>30,204,050</u>	<u>10,493,728</u>
Public infrastructure:				
Engineering services	18,449,351	19,913,401	16,850,852	3,062,549
Transportation	26,886,080	27,644,024	26,128,331	1,515,693
Total public infrastructure	<u>45,335,431</u>	<u>47,557,425</u>	<u>42,979,183</u>	<u>4,578,242</u>
Public safety:				
Emergency communications center	9,603,795	9,733,789	8,705,606	1,028,183
Police	103,037,196	104,175,131	98,359,453	5,815,678
Fire	61,151,910	63,282,334	61,779,428	1,502,906
Total public safety	<u>173,792,901</u>	<u>177,191,254</u>	<u>168,844,487</u>	<u>8,346,767</u>

Continued

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
For the Fiscal Year Ended June 30, 2018

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
Leisure services:				
Parks, recreation and cultural resources	\$ 47,486,134	\$ 48,254,238	\$ 45,184,712	\$ 3,069,526
Walnut Creek Amphitheatre	195,807	195,807	182,294	13,513
Continuing recreation activities	7,806,671	8,735,706	5,325,274	3,410,432
Total leisure services	<u>55,488,612</u>	<u>57,185,751</u>	<u>50,692,280</u>	<u>6,493,471</u>
Debt service:				
Principal and interest	71,565,105	71,565,105	64,886,932	6,678,173
Other debt service expenditures	1,150,000	1,186,266	326,255	860,011
Total debt service	<u>72,715,105</u>	<u>72,751,371</u>	<u>65,213,187</u>	<u>7,538,184</u>
Total expenditures before charge-out	<u>452,662,497</u>	<u>467,062,215</u>	<u>422,462,557</u>	<u>44,599,658</u>
Less: administrative costs charged to other funds	<u>20,123,920</u>	<u>20,123,920</u>	<u>19,459,156</u>	<u>664,764</u>
Total expenditures	<u>432,538,577</u>	<u>446,938,295</u>	<u>403,003,401</u>	<u>43,934,894</u>
Excess (deficiency) of revenues over expenditures	28,250,485	14,367,117	54,082,700	39,715,583
OTHER FINANCING SOURCES (USES)				
Transfers in	8,305,073	11,815,414	11,815,414	-
Transfers out	(57,936,933)	(59,092,705)	(58,960,583)	132,122
Proceeds from sale of property	-	-	404,106	404,106
Total other financing sources (uses)	<u>(49,631,860)</u>	<u>(47,277,291)</u>	<u>(46,741,063)</u>	<u>536,228</u>
Net changes in fund balance	<u>\$ (21,381,375)</u>	<u>\$ (32,910,174)</u>	7,341,637	<u>\$ 40,251,811</u>
Fund balance appropriated	<u>\$ 21,381,375</u>	<u>\$ 32,910,174</u>		
Fund balance, beginning of year			<u>274,517,465</u>	
Fund balance, end of year			<u>\$ 281,859,102</u>	

The notes to the financial statements are an integral part of this statement.

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS**

June 30, 2018

	Enterprise Funds			
	Water and Sewer Fund	Convention Center Complex Fund	Mass Transit Fund	Stormwater Fund
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 359,600,165	\$ 24,966,899	\$ -	\$ 47,797,476
Customer receivables, net of allowance for uncollectibles of \$9,916,767	25,296,038	-	-	1,488,541
Assessments receivable, net of allowance for uncollectibles of \$101,372	600,811	-	-	-
Due from transit management	-	-	2,259,382	-
Due from other governmental agencies	1,070,623	-	5,163,646	316,657
Due from other funds	-	14,893	-	-
Accrued interest receivable	1,579,035	60,316	-	242,455
Other receivables and assets	57,673	1,020,398	-	817
Sales tax receivable	3,014,411	190,778	77,879	65,651
Inventories	8,528,395	-	511,986	-
Insurance deposit	-	-	-	-
Total current assets	<u>399,747,151</u>	<u>26,253,284</u>	<u>8,012,893</u>	<u>49,911,597</u>
Noncurrent assets:				
Restricted cash and cash equivalents	77,639,985	501,153	50,305	13,165,730
Capital assets:				
Land and improvements	41,536,359	20,829,848	3,994,684	5,980,458
Construction in progress	429,425,408	23,274,053	1,649,755	23,540,832
Watershed protection rights	4,756,459	-	-	-
Water and sewer systems	1,239,630,141	-	-	-
Buildings and machinery	88,737,597	271,091,201	28,102,339	-
Parking decks	-	-	-	-
Buses	-	-	38,968,469	-
Equipment	25,176,357	2,369,879	3,492,258	950,064
Furniture and fixtures	61,921	2,511,265	50,046	-
Improvements	184,855,034	30,795,809	4,093,058	59,444,706
Less accumulated depreciation	(564,344,259)	(105,029,104)	(37,069,208)	(21,612,470)
Total noncurrent assets	<u>1,527,475,002</u>	<u>246,344,104</u>	<u>43,331,706</u>	<u>81,469,320</u>
Total assets	<u>1,927,222,153</u>	<u>272,597,388</u>	<u>51,344,599</u>	<u>131,380,917</u>
DEFERRED OUTFLOWS OF RESOURCES				
Unamortized bond refunding charges	27,703,142	71,013	-	-
Pension deferrals - LGERS	4,598,117	740,449	126,258	662,364
Accumulated decrease in fair value of hedging derivatives	19,337,941	24,659,658	-	-
Total deferred outflows of resources	<u>51,639,200</u>	<u>25,471,120</u>	<u>126,258</u>	<u>662,364</u>

The notes to the financial statements are an integral part of this statement.

Continued

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS**

June 30, 2018

	Enterprise Funds			
	Parking Fund	Solid Waste Services Fund	Total	Internal Service Funds
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 9,956,502	\$ 8,056,254	\$ 450,377,296	\$ 60,768,741
Customer receivables, net of allowance for uncollectibles of \$9,916,767	1,080,983	1,497,408	29,362,970	-
Assessments receivable, net of allowance for uncollectibles of \$101,372	-	-	600,811	-
Due from transit management	-	-	2,259,382	-
Due from other governmental agencies	-	569,219	7,120,145	-
Due from other funds	-	-	14,893	-
Accrued interest receivable	26,190	66,268	1,974,264	154,161
Other receivables and assets	-	-	1,078,888	453,177
Sales tax receivable	52,617	154,803	3,556,139	674,677
Inventories	-	-	9,040,381	645,256
Insurance deposit	-	-	-	800,000
Total current assets	11,116,292	10,343,952	505,385,169	63,496,012
Noncurrent assets:				
Restricted cash and cash equivalents	66,303	-	91,423,476	16,474,185
Capital assets:				
Land and improvements	7,414,706	2,952,033	82,708,088	-
Construction in progress	4,422,465	-	482,312,513	-
Watershed protection rights	-	-	4,756,459	-
Water and sewer systems	-	-	1,239,630,141	-
Buildings and machinery	-	15,648,174	403,579,311	230,912
Parking decks	156,130,540	-	156,130,540	-
Buses	-	-	38,968,469	-
Equipment	213,095	748,308	32,949,961	164,031,186
Furniture and fixtures	51,382	133,350	2,807,964	-
Improvements	1,972,311	7,241,743	288,402,661	-
Less accumulated depreciation	(51,360,011)	(6,795,203)	(786,210,255)	(108,991,893)
Total noncurrent assets	118,910,791	19,928,405	2,037,459,328	71,744,390
Total assets	130,027,083	30,272,357	2,542,844,497	135,240,402
DEFERRED OUTFLOWS OF RESOURCES				
Unamortized bond refunding charges	599,496	326,588	28,700,239	-
Pension deferrals - LGERS	274,262	1,456,061	7,857,511	589,553
Accumulated decrease in fair value of hedging derivatives	-	-	43,997,599	-
Total deferred outflows of resources	873,758	1,782,649	80,555,349	589,553

The notes to the financial statements are an integral part of this statement.

Continued

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS**

June 30, 2018

	Enterprise Funds			
	Water and Sewer Fund	Convention Center Complex Fund	Mass Transit Fund	Stormwater Fund
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 10,320,586	\$ 748,342	\$ 53,187	\$ 1,530,477
Sales tax payable	10,668	24,487	306	84
Accrued salaries and employee payroll taxes	861,322	174,791	17,509	146,920
Accrued interest payable	7,247,091	3,126,917	-	-
Claims payable and other liabilities	-	1,105	-	-
Due to other funds	-	-	4,227,443	290,000
Due to other governmental agencies	-	-	-	-
Landfill postclosure liability	-	-	-	-
Earned vacation pay	2,130,513	306,770	25,108	178,046
Bonds, notes and loans payable, net of unamortized premiums and discounts	29,621,385	-	-	-
Contracts and other notes payable, net of unamortized premiums and discounts	4,822,225	9,763,615	-	101,738
Total current liabilities	55,013,790	14,146,027	4,323,553	2,247,265
Noncurrent liabilities:				
Claims payable and other liabilities	-	-	-	-
Bonds, notes and loans payable, net of unamortized premiums and discounts	705,486,450	-	-	-
Contracts and other notes payable, net of unamortized premiums and discounts	56,670,497	219,538,709	-	1,526,063
Landfill postclosure liability	-	-	-	-
Escrow and other deposits payable from restricted assets	15,294,459	501,153	50,305	13,165,730
Derivative instrument liability	19,337,941	24,659,658	-	-
Earned vacation pay	966,779	360,850	28,138	346,932
Net pension liability - LGERS	8,841,877	1,413,846	271,708	1,255,293
Net pension liability - OPEB	30,115,832	4,889,731	952,024	5,091,272
Total noncurrent liabilities	836,713,835	251,363,947	1,302,175	21,385,290
Total liabilities	891,727,625	265,509,974	5,625,728	23,632,555
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue	45,083	26,038	2,514,722	-
Pension deferrals - LGERS	627,590	121,839	-	-
Pension deferrals - OPEB	8,892,243	1,470,796	350,832	1,619,225
Total deferred inflows of resources	9,564,916	1,618,673	2,865,554	1,619,225
NET POSITION				
Net investment in capital assets	743,283,128	16,611,640	43,281,401	66,675,789
Unrestricted	334,285,684	14,328,221	(301,826)	40,115,712
Total net position	\$ 1,077,568,812	\$ 30,939,861	\$ 42,979,575	\$ 106,791,501

The notes to the financial statements are an integral part of this statement.

Continued

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS**

June 30, 2018

	Enterprise Funds			Internal Service Funds
	Parking Fund	Solid Waste Services Fund	Total	
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 59,057	\$ 458,856	\$ 13,170,505	\$ 1,235,064
Sales tax payable	27	2,570	38,142	3,456
Accrued salaries and employee payroll taxes	41,197	220,979	1,462,718	103,662
Accrued interest payable	446,569	101,365	10,921,942	148,088
Claims payable and other liabilities	-	-	1,105	7,316,521
Due to other funds	6,510,000	-	11,027,443	-
Due to other governmental agencies	-	723,005	723,005	-
Landfill postclosure liability	-	1,139,300	1,139,300	-
Earned vacation pay	75,759	542,085	3,258,281	-
Bonds, notes and loans payable, net of unamortized premiums and discounts	-	-	29,621,385	14,741,844
Contracts and other notes payable, net of unamortized premiums and discounts	4,217,376	1,470,535	20,375,489	-
Total current liabilities	11,349,985	4,658,695	91,739,315	23,548,635
Noncurrent liabilities:				
Claims payable and other liabilities	-	-	-	12,026,512
Bonds, notes and loans payable, net of unamortized premiums and discounts	-	-	705,486,450	32,372,650
Contracts and other notes payable, net of unamortized premiums and discounts	64,803,051	12,064,134	354,602,454	-
Landfill postclosure liability	-	3,856,111	3,856,111	-
Escrow and other deposits payable from restricted assets	-	-	29,011,647	-
Derivative instrument liability	-	-	43,997,599	-
Earned vacation pay	51,863	302,467	2,057,029	437,205
Net pension liability - LGERS	529,154	2,816,881	15,128,759	1,114,656
Net pension liability - OPEB	1,793,073	9,610,422	52,452,354	3,816,029
Total noncurrent liabilities	67,177,141	28,650,015	1,206,592,403	49,767,052
Total liabilities	78,527,126	33,308,710	1,298,331,718	73,315,687
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue	-	-	2,585,843	-
Pension deferrals - LGERS	34,164	196,398	979,991	101,134
Pension deferrals - OPEB	526,248	2,874,124	15,733,468	1,119,964
Total deferred inflows of resources	560,412	3,070,522	19,299,302	1,221,098
NET POSITION				
Net investment in capital assets	50,489,860	6,720,324	927,062,142	24,629,896
Unrestricted	1,323,443	(11,044,550)	378,706,684	36,663,274
Total net position	\$ 51,813,303	\$ (4,324,226)	\$ 1,305,768,826	\$ 61,293,170
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			21,251,890	
Net position of business-type activities			\$ 1,327,020,716	

The notes to the financial statements are an integral part of this statement.

**STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS**

For the fiscal year ended June 30, 2018

	Enterprise Funds			
	Water and Sewer Fund	Convention Center Complex Fund	Mass Transit Fund	Stormwater Fund
Operating revenues				
User charges	\$ 247,222,363	\$ 13,873,478	\$ 5,511,743	\$ 23,001,457
Other	4,820,412	862,503	194,808	41,990
Total operating revenues	<u>252,042,775</u>	<u>14,735,981</u>	<u>5,706,551</u>	<u>23,043,447</u>
Operating expenses				
Personnel services	-	9,578,012	832,139	7,886,997
Other facility operating costs	-	7,549,083	12,108,547	5,915,446
Operational expenses	-	-	-	-
Administration	13,312,313	-	-	-
Water supply and treatment	31,032,510	-	-	-
Sewer system and treatment	22,226,122	-	-	-
Warehousing, maintenance and construction	17,613,163	-	-	-
Utility billing	6,876,800	-	-	-
Other services	3,958,300	-	-	-
Non-departmental charges	9,429,456	-	-	-
Management contract charges	-	-	25,069,132	-
Claims	-	-	-	-
Premiums	-	-	-	-
Depreciation	38,184,681	8,231,262	4,108,547	3,000,527
Other	-	-	-	-
Total operating expenses	<u>142,633,345</u>	<u>25,358,357</u>	<u>42,118,365</u>	<u>16,802,970</u>
Operating income (loss)	<u>109,409,430</u>	<u>(10,622,376)</u>	<u>(36,411,814)</u>	<u>6,240,477</u>
Nonoperating revenue (expense)				
Gain (loss) on investments	4,074,440	93,091	-	337,181
Subsidy income - federal and state	-	-	9,493,411	-
Subsidy income - local	-	-	1,778,603	-
Recovery of claims	3,235,063	-	-	-
Other revenues	290,470	-	-	-
Interest expense	(27,428,360)	(8,184,012)	-	-
Gain (loss) on sale of property	58,966	-	22,712	6,026
Miscellaneous expense	(1,256,038)	(1,165,093)	-	-
Total nonoperating revenue (expense)	<u>(21,025,459)</u>	<u>(9,256,014)</u>	<u>11,294,726</u>	<u>343,207</u>
Income (loss) before contributions, transfers and special items	88,383,971	(19,878,390)	(25,117,088)	6,583,684
Capital contributions	1,610,726	-	2,173,467	2,126,498
Transfers in	237,500	26,779,898	21,897,503	-
Transfers out	<u>(1,765,645)</u>	<u>(116,458)</u>	<u>(327,505)</u>	<u>(849,566)</u>
Change in net position	88,466,552	6,785,050	(1,373,623)	7,860,616
Net position, beginning of year	1,028,204,142	30,532,709	45,664,542	105,666,423
Restatement	<u>(39,101,882)</u>	<u>(6,377,898)</u>	<u>(1,311,344)</u>	<u>(6,735,538)</u>
Net position, end of year	<u>\$ 1,077,568,812</u>	<u>\$ 30,939,861</u>	<u>\$ 42,979,575</u>	<u>\$ 106,791,501</u>

The notes to the financial statements are an integral part of this statement.

**STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS**

For the fiscal year ended June 30, 2018

	Enterprise Funds			Internal Service Funds
	Parking Fund	Solid Waste Services Fund	Total	
Operating revenues				
User charges	\$ 16,239,749	\$ 27,205,642	\$ 333,054,432	\$ 83,532,288
Other	18,822	51,496	5,990,031	6,543
Total operating revenues	16,258,571	27,257,138	339,044,463	83,538,831
Operating expenses				
Personnel services	1,950,881	12,919,607	33,167,636	5,555,669
Other facility operating costs	5,153,621	20,819,320	51,546,017	9,243,520
Operational expenses	-	-	-	5,099,241
Administration	-	-	13,312,313	-
Water supply and treatment	-	-	31,032,510	-
Sewer system and treatment	-	-	22,226,122	-
Warehousing, maintenance and construction	-	-	17,613,163	-
Utility billing	-	-	6,876,800	-
Other services	-	-	3,958,300	-
Non-departmental charges	-	-	9,429,456	-
Management contract charges	-	-	25,069,132	-
Claims	-	-	-	39,505,872
Premiums	-	-	-	1,637,343
Depreciation	4,176,158	812,327	58,513,502	15,241,907
Other	-	-	-	281,531
Total operating expenses	11,280,660	34,551,254	272,744,951	76,565,083
Operating income (loss)	4,977,911	(7,294,116)	66,299,512	6,973,748
Nonoperating revenue (expense)				
Gain (loss) on investments	38,295	89,894	4,632,901	1,738,868
Subsidy income - federal and state	-	-	9,493,411	-
Subsidy income - local	-	-	1,778,603	-
Recovery of claims	-	-	3,235,063	1,538,843
Other revenues	-	451,675	742,145	-
Interest expense	(1,741,843)	(451,890)	(37,806,105)	(994,299)
Gain (loss) on sale of property	-	-	87,704	1,292,451
Miscellaneous expense	-	-	(2,421,131)	-
Total nonoperating revenue (expense)	(1,703,548)	89,679	(20,257,409)	3,575,863
Income (loss) before contributions, transfers and special items	3,274,363	(7,204,437)	46,042,103	10,549,611
Capital contributions	-	-	5,910,691	-
Transfers in	-	6,400,000	55,314,901	2,168,857
Transfers out	(1,206,338)	(746,371)	(5,011,883)	(69,141)
Change in net position	2,068,025	(1,550,808)	102,255,812	12,649,327
Net position, beginning of year	52,069,932	9,743,952		53,693,553
Restatement	(2,324,654)	(12,517,370)		(5,049,710)
Net position, end of year	\$ 51,813,303	\$ (4,324,226)		\$ 61,293,170
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			4,618,985	
Change in net position of business-type activities			\$ 106,874,797	

The notes to the financial statements are an integral part of this statement.

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the fiscal year ended June 30, 2018

	Enterprise Funds			
	Water and Sewer Fund	Convention Center Complex Fund	Mass Transit Fund	Stormwater Fund
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 245,487,452	\$ 13,612,180	\$ 5,511,743	\$ 22,908,452
Payments to employees	(47,605,503)	(9,835,299)	(821,257)	(7,616,181)
Payments to suppliers and service providers	(56,409,088)	(8,976,459)	(36,106,996)	(5,501,556)
Claims paid	-	-	-	-
Premiums paid	-	-	-	-
Other receipts	5,110,882	862,503	194,808	41,990
Other payments	-	(1,165,093)	-	-
Net cash provided by (used in) operating activities	146,583,743	(5,502,168)	(31,221,702)	9,832,705
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Insurance deposits	-	-	-	-
Operating subsidies and transfers from other funds	237,500	26,779,898	21,897,503	-
Operating subsidies and transfers to other funds	(1,765,645)	(116,458)	(327,505)	(849,566)
Operating grants received	-	-	4,523,070	-
Internal activity - payments from (to) other funds	136,043	(520,335)	(710,326)	290,000
Gain on actuarial estimate	-	-	-	-
Net cash provided by (used in) noncapital financing activities	(1,392,102)	26,143,105	25,382,742	(559,566)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase and construction of capital assets	(91,634,649)	(4,171,365)	(2,684,139)	(10,603,010)
Developer refund of excess construction costs	-	-	-	-
Capital grants and other capital contributions	1,237,053	-	8,500,387	2,316,144
Proceeds from capital debt	3,473,259	-	-	-
Gain (loss) on disposal of capital assets	58,966	-	22,712	6,026
Intergovernmental proceeds for capital debt	-	-	-	-
Principal paid on capital debt	(28,287,396)	(9,260,734)	-	(101,738)
Interest paid on capital debt	(31,999,981)	(8,438,841)	-	-
Other debt related payments	(1,256,038)	-	-	-
Escrow deposits	700,458	-	-	979,663
Net cash provided by (used in) capital and related financing activities	(147,708,328)	(21,870,940)	5,838,960	(7,402,915)
CASH FLOWS FROM INVESTING ACTIVITIES				
Gain (loss) on investments held	6,963,149	77,164	-	290,056
Net cash provided by investing activities	6,963,149	77,164	-	290,056
Net increase (decrease) in cash and cash equivalents	4,446,462	(1,152,839)	-	2,160,280
Cash and cash equivalents - beginning of year	432,793,688	26,620,891	50,305	58,802,926
Cash and cash equivalents - end of year	\$ 437,240,150	\$ 25,468,052	\$ 50,305	\$ 60,963,206
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 109,409,430	\$ (10,622,376)	\$ (36,411,814)	\$ 6,240,477
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation expense	38,184,681	8,231,262	4,108,547	3,000,527
Miscellaneous nonoperating income	290,470	-	-	-
Miscellaneous nonoperating expense	-	(1,165,093)	-	-
Change in assets and liabilities:				
Operating receivables	(2,509,646)	(348,995)	730,118	(93,005)
Sales tax receivable	216,265	13,708	340,232	(44,861)
Inventories	(75,596)	-	92,941	-
Other receivables and assets	763,086	-	-	2,847
Accounts payable and other accrued liabilities	435,505	(1,092,089)	(92,607)	455,904
Landfill postclosure liability	-	-	-	-
(Increase) decrease in deferred outflows of resources - LGERS	4,547,828	752,220	173,729	810,380
Increase (decrease) in deferred inflows of resources - LGERS	(144,449)	(23,892)	-	(8,550)
Increase in pension liability - LGERS	(3,763,548)	(622,498)	(148,486)	(685,320)
(Increase) decrease in deferred outflows of resources - OPEB	-	-	-	-
Increase (decrease) in deferred inflows of resources - OPEB	8,892,243	1,470,796	350,832	1,619,225
Increase in pension liability - OPEB	(9,795,131)	(1,620,136)	(386,454)	(1,783,635)
Escrow and other deposits	-	53,466	-	-
Earned vacation pay and other payroll liabilities	120,956	(213,777)	21,260	318,716
Unearned revenue	11,649	(314,764)	-	-
Total adjustments	37,174,313	5,120,208	5,190,112	3,592,228
Net cash provided by (used in) operating activities	\$ 146,583,743	\$ (5,502,168)	\$ (31,221,702)	\$ 9,832,705
Noncash investing, capital, and financing activities:				
Capital contributions from annexations and mergers	\$ 1,593,019	\$ -	\$ -	\$ -
Capital contributions from grant and assessment receivables	\$ (1,219,346)	\$ -	\$ -	\$ -
Net transfer of assets (liabilities) from other funds	\$ -	\$ -	\$ -	\$ -
Acquisition and construction of capital assets	\$ (7,687,170)	\$ -	\$ -	\$ -
Restatement	\$ 39,101,882	\$ 6,377,898	\$ 1,311,344	\$ 6,735,538

The notes to the financial statements are an integral part of this statement.

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the fiscal year ended June 30, 2018

	Enterprise Funds			Internal Service Funds
	Parking Fund	Solid Waste Services Fund	Total	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 16,001,207	\$ 28,043,293	\$ 331,564,327	\$ 83,532,288
Payments to employees	(1,924,446)	(12,830,092)	(80,632,778)	(5,495,573)
Payments to suppliers and service providers	(5,108,927)	(20,297,293)	(132,400,319)	(13,977,580)
Claims paid	-	-	-	(40,306,664)
Premiums paid	-	-	-	(1,637,343)
Other receipts	18,822	51,496	6,280,501	1,545,386
Other payments	-	-	(1,165,093)	(281,531)
Net cash provided by (used in) operating activities	8,986,656	(5,032,596)	123,646,638	23,378,983
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Insurance deposits	-	-	-	(400,000)
Operating subsidies and transfers from other funds	-	6,400,000	55,314,901	1,668,857
Operating subsidies and transfers to other funds	(1,206,338)	(746,371)	(5,011,883)	(69,141)
Operating grants received	-	-	4,523,070	-
Internal activity - payments from (to) other funds	6,501,170	(1,923)	5,694,629	500,000
Gain on actuarial estimate	-	-	-	-
Net cash provided by (used in) noncapital financing activities	5,294,832	5,651,706	60,520,717	1,699,716
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase and construction of capital assets	(7,300,560)	(365,743)	(116,759,466)	(19,968,258)
Developer refund of excess construction costs	-	-	-	-
Capital grants and other capital contributions	-	-	12,053,584	-
Proceeds from capital debt	-	-	3,473,259	-
Gain (loss) on disposal of capital assets	-	-	87,704	1,292,451
Intergovernmental proceeds for capital debt	-	451,675	451,675	-
Principal paid on capital debt	(4,478,490)	(1,317,917)	(43,446,275)	(20,956,879)
Interest paid on capital debt	(1,057,755)	(576,477)	(42,073,054)	(895,348)
Other debt related payments	-	-	(1,256,038)	-
Escrow deposits	-	-	1,680,121	-
Net cash provided by (used in) capital and related financing activities	(12,836,805)	(1,808,462)	(185,788,490)	(40,528,034)
CASH FLOWS FROM INVESTING ACTIVITIES				
Gain (loss) on investments held	38,563	66,416	7,435,348	1,734,174
Net cash provided by investing activities	38,563	66,416	7,435,348	1,734,174
Net increase (decrease) in cash and cash equivalents	1,483,246	(1,122,936)	5,814,213	(13,715,161)
Cash and cash equivalents - beginning of year	8,539,559	9,179,190	535,986,559	90,958,087
Cash and cash equivalents - end of year	\$ 10,022,805	\$ 8,056,254	\$ 541,800,772	\$ 77,242,926
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 4,977,911	\$ (7,294,116)	\$ 66,299,512	\$ 6,973,748
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation expense	4,176,158	812,327	58,513,502	15,241,907
Miscellaneous nonoperating income	-	-	290,470	1,538,843
Miscellaneous nonoperating expense	-	-	(1,165,093)	-
Change in assets and liabilities:				
Operating receivables	(239,313)	(50,470)	(2,511,311)	-
Sales tax receivable	28,771	(84,874)	469,241	195,075
Inventories	-	-	17,345	52,574
Other receivables and assets	771	888,121	1,654,825	5,776
Accounts payable and other accrued liabilities	15,923	(6,257)	(283,621)	(689,036)
Landfill postclosure liability	-	613,158	613,158	-
(Increase) decrease in deferred outflows of resources - LGERS	269,143	1,469,935	8,023,235	572,792
Increase (decrease) in deferred inflows of resources - LGERS	(8,549)	(46,688)	(232,128)	(18,193)
Increase in pension liability - LGERS	(222,729)	(1,216,443)	(6,659,024)	(474,013)
(Increase) decrease in deferred outflows of resources - OPEB	-	-	-	-
Increase (decrease) in deferred inflows of resources - OPEB	526,248	2,874,124	15,733,468	1,119,964
Increase in pension liability - OPEB	(579,682)	(3,165,953)	(17,330,991)	(1,233,681)
Escrow and other deposits	-	-	53,466	-
Earned vacation pay and other payroll liabilities	42,004	174,540	463,699	93,227
Unearned revenue	-	-	(303,115)	-
Total adjustments	4,008,745	2,261,520	57,347,126	16,405,235
Net cash provided by (used in) operating activities	\$ 8,986,656	\$ (5,032,596)	\$ 123,646,638	\$ 23,378,983
Noncash investing, capital, and financing activities:				
Capital contributions from annexations and mergers	\$ -	\$ -	\$ 1,593,019	\$ -
Capital contributions from grant and assessment receivables	\$ -	\$ -	\$ (1,219,346)	\$ -
Net transfer of assets (liabilities) from other funds	\$ -	\$ -	\$ -	\$ -
Acquisition and construction of capital assets	\$ -	\$ -	\$ (7,687,170)	\$ -
Restatement	\$ 2,324,654	\$ 12,517,370	\$ 68,368,686	\$ 5,049,710

The notes to the financial statements are an integral part of this statement.

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2018

	Pension Trust Funds
ASSETS	
Cash and cash equivalents	\$ 103,698,150
Accrued interest receivable	8,920
Due from other funds	174,858
Other receivables	141,149
Total assets	<u>104,023,077</u>
 LIABILITIES	
Claims payable	1,066,000
Accounts payable	12,931
Total liabilities	<u>1,078,931</u>
 NET POSITION	
Restricted for pensions	65,299,620
Restricted for postemployment benefits other than pensions	37,644,526
Total net pension	<u>\$ 102,944,146</u>

The notes to the financial statements are an integral part of this statement.

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Fiscal Year Ended June 30, 2018

	Pension Trust Funds
ADDITIONS	
Employer contributions	\$ 21,057,338
Retiree contributions	2,709,311
Interest	3,707,551
Gain (loss) on investments	3,118,245
Net increase (decrease) in the fair value of investments	1,628,281
Recovery of claims	437,693
Total additions	<u>32,658,419</u>
DEDUCTIONS	
Benefits	19,872,719
Withdrawals and forfeitures	522,458
Investment expense	102,656
Professional services	72,496
Total deductions	<u>20,570,329</u>
Change in net position restricted for:	
Employees' retirement and other post-employment benefits	12,088,090
Net position, beginning of year	90,856,056
Net position, end of year	<u>\$ 102,944,146</u>

The notes to the financial statements are an integral part of this statement.

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

Note 1. Summary of Significant Accounting Policies

A. Reporting entity

The City of Raleigh (the "City") is a municipal corporation established in 1792 by the North Carolina General Assembly. The City operates under a council-manager form of government with a mayor and seven Council Members comprising the governing body.

The accounting policies of the City of Raleigh conform to generally accepted accounting principles (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles in the United States of America. All applicable GASB statements have been implemented. The accompanying financial statements present the government and its component unit, a legally separate entity for which the City is financially accountable.

The financial statements of the following organization are included in this report as a blended component unit:

Blended Component Unit. Walnut Creek Financing Assistance Corporation (WCFAC). The WCFAC is governed by a five-member board appointed by the City Council. Although it is legally separate from the City, the WCFAC is reported as if it were part of the primary government because its main purpose is to issue certificates of participation for the City. Financial transactions of the WCFAC are audited and reported through the City's annual audit. No separate financial statements are prepared.

B. Government-wide and fund financial statements

Government-Wide Statements. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City and its blended component unit. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities demonstrates the degree to which the direct expenses of a given function or business-type activity is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or activity. Indirect expense allocations are not shown on the statement of activities. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers all revenues to be available if they are collected within 90 days after year-end, except for property taxes. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to earned vacation pay and claims and judgments, are recorded only when payment is due.

Sales taxes collected and held by the State at year-end on behalf of the City are recognized as revenue. Sales taxes are considered a shared revenue for the City because the tax is levied by Wake County and then remitted to and distributed by the State. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the government.

At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

The City reports the following major governmental funds:

General fund – The general fund is the primary operating fund of the City. It is used to account for all financial resources of the general government, except those required to be accounted for in other funds.

The City reports the following major enterprise funds:

Water and sewer fund – The water and sewer fund accounts for the user charges, fees, other resources and all costs associated with the operation of the water and sewer systems of the City.

Convention center fund – The convention center complex fund accounts for the user charges, fees, other resources and all costs associated with the operation of the convention center and performing arts center facilities of the City.

Mass transit fund – The mass transit fund accounts for the user charges, fees, federal contributions and all operating costs associated with the operation of the transit system in the City.

Stormwater fund – The stormwater fund is established to account for revenues and expenses related to stormwater management.

Parking fund – The parking facilities fund accounts for the parking fee charges and all costs associated with the operation of all parking decks and lots owned by the City.

Solid waste services fund – The solid waste services fund accounts for the revenues and expenses related to the operation of the City's residential garbage collection and recycling programs.

Additionally, the City reports the following fund types:

Internal service funds - Account for employees' health benefits, equipment replacement, risk management services, and vehicle fleet services provided to other departments or agencies of the City on a cost reimbursement basis.

Fiduciary funds - The pension trust funds account for the City's contributions to a supplemental money purchase pension plan fund and other post-employment benefits.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and sewer function and various other City functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, *general revenues* include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Management of the City has made a number of estimates and assumptions relating to the reporting of assets, liabilities, revenues, expenses, and the disclosure of contingent assets and liabilities to prepare the financial statements in conformity with generally accepted accounting principles. Actual results could differ from those estimates.

D. Assets, liabilities, deferred outflows/inflows of resources and net position or equity

1. Deposits and investments

The City pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. For arbitrage purposes, the City maintains separate investments of proceeds of bond issues and other tax-exempt financings. All deposits are made in designated official depositories and are secured as required by State law (G.S. 159-31). The City may designate, as an official depository, any bank or savings and loan association whose principal office is located in North Carolina. The City may make deposits in FDIC-insured or collateralized demand accounts, certificates of deposit, or such other forms of time deposits as the North Carolina Local Government Commission may approve.

The Local Government Budget and Fiscal Control Act of North Carolina governs all investments permitted to local governments. State law (G.S. 159-30(c)) authorizes the City to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; certain repurchase agreements; and the North Carolina Capital Management Trust (NCCMT).

The City's investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT – Government Portfolio, a SEC-registered (2a-7) money market mutual fund, and securities of the NCCMT – Term Portfolio are valued at fair value, which is the NCCMT's share price.

2. Receivables and payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" (i.e., the current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

City ad valorem taxes are billed by the Wake County Revenue Collector after July 1 of each year based upon the assessed value on property, other than motor vehicles, listed as of the prior January 1 lien date. In accordance with state law, property taxes on certain registered motor vehicles are assessed and collected throughout the year based on a staggered registration system. North Carolina Department of Revenue is responsible for the monthly billing and collections of City property taxes due on registered motor vehicles. Under the staggered registration system, property taxes become due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due.

The City Council is required to approve the tax levy no later than August 1, although this traditionally occurs in the month of June. Taxes are due on September 1 but do not begin to accrue penalties for nonpayment until the following January 5. Collections of City taxes are made by the County or State and are remitted to the City as collected.

Ad valorem taxes receivable at year-end are not considered to be available as a resource that can be used to finance the current year operations of the City and, therefore, are not susceptible to recognition as earned revenue. The amount of the recorded receivable for ad valorem taxes has been reduced by an allowance for uncollectible accounts and the net receivable is offset by unavailable revenue in an equal amount.

Other accounts receivable reported in governmental funds and which represent amounts considered measurable and available are recorded as revenue but, based on state law, are restricted in fund balance at year-end.

Any other accounts receivable which represent amounts not subject to accrual as earned revenue are recorded as assets and are offset by unavailable revenue in an equal amount. Assessments receivable have been reduced by an amount deemed to be uncollectible.

The amounts due from other governmental agencies are grants and participation agreements which are restricted for specific programs and capital projects. Program grants, primarily accounted for in the special revenue funds, are recognized as receivables and revenue in the period benefited, i.e., at the time reimbursable program costs are incurred.

Capital project grants are recorded as receivables and revenues at the time reimbursable project costs are incurred.

3. Inventories, prepaid items and assets held for resale

Inventories in the governmental, enterprise and internal service funds consist primarily of expendable supplies held for consumption. Inventories are recorded as an expenditure at the time an item is used and are carried at cost, using the first-in, first-out (FIFO) method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

The City sold downtown property in fiscal year 2018, dissolving the assets held for resale in the amount of \$11,625,378. There are no remaining assets held for resale at June 30, 2018.

4. Restricted assets

Certain proceeds of the City's enterprise fund revenue bonds and general obligation bonds are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

5. Capital assets

Capital assets, which include property, plant, equipment, software, and infrastructure assets, (e.g. streets, sidewalks, water and sewer delivery systems and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. All infrastructure acquired before July 1, 2001 (date of implementation of GASB 34) has been recorded by the City at historical cost if purchased or constructed or at fair market value at the date of donation. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the City for business-type activities during the fiscal year was \$38,192,327. Of this amount, \$5,319,734 was included as part of the cost of capital assets under construction in connection with water and sewer projects.

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and machinery	40
Water and sewer systems	50
Streets and sidewalks	25
Major improvements	20
Software	20
Buses	10
Furniture & fixtures	5
Equipment	5-10

6. Deferred outflows/inflows of resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The City has four items that meet this criterion, unamortized bond refunding charges, pension deferrals for contributions made to the LGERS pension plan in the 2018 fiscal year, pension deferrals for LEO benefit payments and administrative expenses incurred subsequent to the actuarial measurement date, and an accumulated decrease in the fair value of hedging derivatives for the City's interest rate swap agreements.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has multiple items that meet the criterion for this category – unearned revenues, prepaid taxes, prepaid assessments and property taxes receivable, and pension deferrals for LGERS (GASB Statement 68), LEO (GASB Statement 74), and OPEB (GASB Statement 75).

7. Earned vacation pay

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

8. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt expenditures.

9. *Net position/fund balances*

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balance as follows:

Nonspendable Fund Balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Inventories – portion of fund balance that is not an available resource because it represents the year-end balance for inventories, which are not spendable resources.

Loans receivable - portion of fund balance that is not an available resource because it represents revolving loans receivable due to the City, which are not spendable resources.

Restricted Fund Balance – This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

Restricted for stabilization by state statute - portion of fund balance restricted by State Statute [G.S.15-98(a)].

Restricted for debt service – portion of fund balance that must be used to pay City obligations.

Restricted for federal program reserves – portion of fund balance that is restricted by revenue source for federal programs.

Restricted for public safety – portion of fund balance that is restricted by revenue source for certain emergency telephone system expenditures.

Committed Fund Balance – This classification includes a portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of City of Raleigh's City Council. The City Council, by adoption of an ordinance prior to the end of the fiscal year, commits fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Committed for Law Enforcement Officers' Special Separation Allowance Fund - portion of fund balance committed for contributions to a defined benefit plan provided to City law enforcement officers.

Assigned Fund Balance – This classification includes a portion of fund balance that the City of Raleigh intends to use for specific purposes. The City of Raleigh City Council has designated the City Manager as the delegated Official that can "assign" portions of fund balance per the City of Raleigh's fund balance goal policy.

Subsequent year's appropriation – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; all budget amendments regardless of amount must be submitted to the City council for approval.

Assigned for community development – portion of fund balance the City intends to use for community development across the City.

Assigned for City projects – portion of fund balance that the City intends to use for specific projects.

Assigned for disaster recovery – portion of fund balance that the City intends to use for disaster recovery efforts.

Assigned for debt service – portion of fund balance that the City intends to use for future debt service payments.

Unassigned Fund Balance – This classification includes the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Council has provided otherwise in its commitment or assignment actions.

The City of Raleigh has also adopted a minimum fund balance policy for the general fund which instructs management to conduct business of the City in such a manner that available fund balance is at least equal to or greater than 14.00% of next years budgeted expenditures. Any portion of the general fund balance in excess of 14.00% of budgeted expenditures may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the City in a future budget.

10. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The City of Raleigh's employer contributions are recognized when due and the City of Raleigh has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

The City also administers a single-employer defined benefit pension plan that provides retirement benefits to the City's sworn law enforcement. This Law Enforcement Special Separation Allowance (LEOSSA) Plan is consolidated with the General Fund for reporting in compliance with GASB Statement No. 73 as it is not a defined trust. The full accrual impacts of the pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense are captured on the government-wide statements.

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB Plan and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Employer contributions are determined and paid annually based on actuarial recommendations. Investments are reported at fair value.

11. Interest rate swap

The City enters into interest rate swap agreements to modify interest rates on outstanding debt. The interest rate swaps are reported in the net position statements for government-wide and proprietary funds at fair market value.

Note 2. Stewardship, Compliance, and Accountability

A. Budgetary information

As required by the North Carolina Budget and Fiscal Control Act, the City adopts balanced budget ordinances for all funds except the trust funds which are not budgeted. The budgets shown in the financial statements reflect amounts adopted by the budget ordinances as amended and approved at the close of the day on June 30, 2018. The City adopts annual budgets prepared on the modified accrual basis for the general fund, the enterprise operating funds and the convention center financing fund. All other funds including all capital project funds and the remaining grant funds adopt project budgets.

Appropriations for funds with annual budgets lapse at the end of the budget year. Capital and grant project budget appropriations do not lapse until the completion of the project or grant. The City Council may amend the budget throughout the year for new projects or other changes to existing appropriations as are needed.

At June 30, 2018, the effect of such amendments, less eliminating transfers, was as follows:

	Original Budget	Total Amendments	Budget June 30, 2018
General Fund	\$ 480,604,696	\$ 16,420,180	\$ 497,024,876
Special Revenue Funds	143,828,433	3,900,001	147,728,434
General Capital Projects Funds	769,503,002	16,688,298	786,191,300
Enterprise Funds	1,223,007,602	19,489,040	1,242,496,642
Internal Service Funds	122,573,317	9,138,760	131,712,077

The appropriated budget is prepared by fund, function, and department. Appropriations are adopted at the Fund level with the exception of the General fund which is adopted at the department level and the Public Utilities Fund which is adopted at the function level. The City Manager is authorized to transfer budget amounts within a fund up to \$50,000. Transfers greater than \$50,000, all transfers between funds, and all amendments increasing total budgeted expenditures require City Council approval.

B. Deficit net position

As a result of the required implementation of GASB 75, two funds reflect a deficit in net position - Solid Waste Services Fund (\$4,324,226) and Vehicle Fleet Services Fund (\$4,313,917).

Under normal operations the two aforementioned funds were not in a deficit net position. The City funds the OPEB liability, a long-term pension liability, annually to the actuarially determined contribution (ADC) by contributing directly to the OPEB Trust Fund. The GASB implementation requires the net OPEB liability to be allocated across funds, and as a result the two funds mentioned are in a deficit net position.

Note 3. Detailed Notes on All Funds

A. Deposits and investments

Deposits. All of the City's deposits are either insured or collateralized by the Pooling Method. Under the Pooling Method, a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City, these deposits are considered to be held by the City's agent in the City's name. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the City under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each Pooling Method depository. The City relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. It is the City's policy to utilize only the pooling method of collateralization. The City complies with the provisions of G.S. 159-31 when designating official depositories and verifying that the deposits are properly secured.

At June 30, 2018, the City's bank balance in operating accounts was \$31,078,457 and the carrying amount of the City's deposits was \$28,427,710. The difference represents reconciling items such as deposits and payments in transit. Of the bank balance, \$258,088 was covered by federal depository insurance and \$30,820,369 was covered by collateral held under the Pooling Method.

Investments. At June 30, 2018, the City had the following investments and maturities:

Investment Type	Valuation Measurement Method	Fair Value	%	< 1 Year	1- 3 Years	>3 - 5 Years
US Government Treasuries	Fair Value, Level 1	\$ 59,829,156	6.72%	\$ 29,261,676	\$ 21,027,858	\$ 9,539,622
US Government Agencies	Fair Value, Level 2	686,777,018	77.14%	273,575,242	408,067,774	5,134,002
NCCMT - Cash Portfolio	Amortized Cost	43,419,803	4.88%	43,419,803	-	-
NCCMT- Government Portfolio	Fair Value, Level 1	802,646	0.09%	802,646	-	-
NC Municipal Bonds	Fair Value, Level 1	14,897,703	1.67%	8,445,046	6,179,514	273,143
Corporate Bonds	Fair Value, Level 2	4,144,642	0.47%	-	3,845,122	299,520
Mutual Funds	Fair Value, Level 1	52,483,648	5.89%	52,483,648	-	-
Commercial Paper	Amortized Cost	27,970,448	3.14%	27,970,448	-	-
Total City-wide investments		<u>\$890,325,064</u>	<u>100.00%</u>	<u>\$435,958,509</u>	<u>\$439,120,268</u>	<u>\$ 15,246,287</u>

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Level of fair value hierarchy: Level 1: Debt securities valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level 2: Debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' benchmark quoted prices.

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits direct investment of operating funds to securities maturing no more than five years from the date of purchase. Investments shown with a maturity date greater than five years are pursuant to N.C.G.S. 147-69.2 and represent accounts holding the City's capital reserves, risk reserve funds, and Law Enforcement Officer's special separation allowance fund. Also, the City's investment policy requires purchases of securities to be ladderized with staggered maturity dates to meet the operating requirements of each individual fund and cash flow requirements of the City's overall operations. Reserve funds invested by external asset managers are not required to meet liquidity needs within the short-term and may have maturities generally consistent with benchmark indices established to monitor performance of the asset managers.

Credit Risk. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs). The City limits investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The City currently holds investments with long-term credit ratings as follows:

Bank	Long-term Credit Ratings		
	S & P	Moody's	Fitch
US Treasury Obligations	AA+	Aaa	AAA
US Government Agency Securities	AA+	Aaa	AAA
First National Bank (certificate of deposit)	N/A	A3	N/A
NCCMT - Government Portfolio	AAAm	N/A	N/A

Concentration of Credit Risk. The City's investment policy does not restrict the level of investment in US Treasury Obligations, US Government Agency Securities or the NCCMT, but it restricts investment in NC municipal bonds to no more than 10.00% of the total investment portfolio and commercial paper or bankers' acceptances of a single issuer to no more than 5.00% of the total investment portfolio. As of June 30, 2018, NC municipal bonds comprise 1.67% of the total investment portfolio and commercial paper is 3.14% of the total investment portfolio.

Fiduciary funds are reported on a stand-alone basis and are not presented in the government-wide statement of net position.

A summary of cash and investments at June 30, 2018 is as follows:

	Government-wide	Fiduciary	Total
Petty cash and change funds	\$ 15,855	\$ -	\$ 15,855
Deposits (checking, money market)	35,834,172	-	35,834,172
Fiduciary cash	-	103,698,150	103,698,150
Investments	890,325,062	-	890,325,062
Total cash and cash equivalents	926,175,089	103,698,150	1,029,873,239
Restricted deposits and bond proceeds	192,990,085	-	192,990,085
Total cash	\$ 1,119,165,174	\$ 103,698,150	\$ 1,222,863,324

Investment results shown in the financial statements are a combination of actual interest received, realized gains and losses on current year activity, and unrealized gains and losses as of the balance sheet date.

B. Capital assets

Capital asset activity for the year ended June 30, 2018 was as follows:

	June 30, 2017	Additions	Transfers	Deletions	June 30, 2018
<u>Governmental activities</u>					
Capital assets, not being depreciated:					
Land	\$ 208,289,326	\$ 2,306,282	\$ 569,945	\$ -	\$ 211,165,553
Construction in progress	318,400,923	55,575,734	(62,620,897)	(25,826)	311,329,934
Total capital assets, not being depreciated	526,690,249	57,882,016	(62,050,952)	(25,826)	522,495,487
Capital assets, being depreciated:					
Buildings and machinery	236,663,218	25,944,348	47,656,744	-	310,264,310
Streets and sidewalks	763,848,693	441,983	601,873	-	764,892,549
Equipment	111,828,723	14,927,217	2,877,474	(6,857,777)	122,775,637
Furniture and fixtures	1,368,658	8,906	-	(44,027)	1,333,537
Improvements - general and parks	277,133,463	980,943	10,914,861	-	289,029,267
Software	46,851,680	-	-	-	46,851,680
Total capital assets being depreciated	1,437,694,435	42,303,397	62,050,952	(6,901,804)	1,535,146,980
Less accumulated depreciation for:					
Buildings and machinery	66,680,244	7,575,144	-	-	74,255,388
Streets and sidewalks	492,965,253	22,824,981	-	-	515,790,234
Equipment	82,161,467	10,555,893	-	(6,791,445)	85,925,915
Furniture and fixtures	1,340,532	19,344	-	(44,027)	1,315,849
Improvements - general and parks	141,202,827	12,282,891	-	-	153,485,718
Software	16,473,629	2,342,584	-	-	18,816,213
Total accumulated depreciation	800,823,952	55,600,837	-	(6,835,472)	849,589,317
Total capital assets being depreciated, net	636,870,483	(13,297,440)	62,050,952	(66,332)	685,557,663
Governmental activities capital assets, net	\$ 1,163,560,732	\$ 44,584,576	\$ -	\$ (92,158)	\$ 1,208,053,150

Depreciation expense was charged to functions/programs of the governmental activities as follows:

General government	\$ 3,746,580
Community development	9,069
Public infrastructure	29,854,116
Public safety	2,211,379
Leisure services	11,140,830
Capital assets held by certain internal service funds are charged to the various governmental functions based on the usage of the assets	8,638,863
Total depreciation expense - governmental activities	<u>\$ 55,600,837</u>

Annexations: The amount reported as additions for street and sidewalks includes \$440,352 from annexations.

	June 30, 2017	Additions	Transfers	Deletions	June 30, 2018
<u>Business-type activities</u>					
Capital assets, not being depreciated:					
Land	\$ 82,606,318	\$ 2,200	\$ 99,570	\$ -	\$ 82,708,088
Construction in progress	435,475,735	98,500,390	(51,615,155)	(48,457)	482,312,513
Watershed protection rights	4,756,459	-	-	-	4,756,459
Total capital assets, not being depreciated	522,838,512	98,502,590	(51,515,585)	(48,457)	569,777,060
Capital assets, being depreciated:					
Buildings and machinery	403,579,311	-	-	-	403,579,311
Water and sewer systems	1,232,704,334	2,056,876	4,868,931	-	1,239,630,141
Parking decks	146,120,540	6,510,000	3,500,000	-	156,130,540
Buses	40,588,852	2,024,324	-	(3,644,707)	38,968,469
Equipment	94,686,033	7,767,553	1,537,465	(2,839,767)	101,151,284
Furniture and fixtures	2,807,964	-	-	-	2,807,964
Improvements	242,249,036	4,544,436	41,609,189	-	288,402,661
Total capital assets being depreciated	2,162,736,070	22,903,189	51,515,585	(6,484,474)	2,230,670,370
Less accumulated depreciation for:					
Buildings and machinery	121,408,492	9,819,150	-	-	131,227,642
Water and sewer systems	404,285,026	25,566,512	-	-	429,851,538
Parking decks	46,334,185	4,069,854	-	-	50,404,039
Buses	26,694,036	2,921,237	-	(3,644,707)	25,970,566
Equipment	64,972,371	8,467,630	-	(2,830,529)	70,609,472
Furniture and fixtures	2,801,529	6,435	-	-	2,807,964
Improvements	105,364,103	14,265,728	-	-	119,629,831
Total accumulated depreciation	771,859,742	65,116,546	-	(6,475,236)	830,501,052
Total capital assets being depreciated, net	1,390,876,328	(42,213,357)	51,515,585	(9,238)	1,400,169,318
Business-type activities capital assets, net	\$ 1,913,714,840	\$ 56,289,233	\$ -	\$ (57,695)	\$ 1,969,946,378

Depreciation expense was charged to functions/programs of the business-type activities as follows:

Water/Sewer	\$ 38,184,681
Convention center	8,231,262
Parking	4,176,158
Mass Transit	4,108,547
Stormwater	3,000,527
Solid Waste Services	812,327
Capital assets held by certain internal service funds are charged to the various business-type activities based on the usage of the assets	6,603,044
Total depreciation expense - business-type activities	<u>\$ 65,116,546</u>

Annexations: The amount reported as additions for water and sewer systems includes \$1,593,019 from annexations.

Commitments - construction projects. At June 30, 2018, the City has \$241,507,699 in project obligations for business-type activities for construction projects in progress as follows: \$196,246,884 for water and sewer projects, \$12,259,249 for transit projects, \$26,584,013 for stormwater projects, \$5,176,825 for convention center projects and \$1,240,728 for parking garage projects. These obligations are fully budgeted and are being financed primarily by state loans, general obligation bond proceeds, revenue bond proceeds, federal grants, storm water fees and certificates of participation.

In addition, the City has \$144,004,257 in general government project obligations at June 30, 2018. These obligations relate to construction in progress projects for street construction, redevelopment projects and community center and park construction, and other major public facilities. These projects are fully budgeted and the funding for these governmental projects is indicated through designations of fund balance at June 30, 2018.

C. Unavailable revenue and unearned revenue

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with inflows of resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unavailable revenue and unearned revenue reported in the governmental funds were as follows:

	General	Nonmajor Governmental	Total
Amounts arising from cash:			
Police informant account	\$ 8,585	\$ -	\$ 8,585
Cemetery cash account	8,089	-	8,089
Cafeteria plan cash	174,109	-	174,109
Prepaid taxes and assessments	121,301	6,653	127,954
Unearned revenue	-	3,243,305	3,243,305
	<u>312,084</u>	<u>3,249,958</u>	<u>3,562,042</u>
Amounts not arising from cash:			
Taxes receivable	305,480	-	305,480
Assessments receivable	326,844	529,800	856,644
	<u>632,324</u>	<u>529,800</u>	<u>1,162,124</u>
Total	<u>\$ 944,408</u>	<u>\$ 3,779,758</u>	<u>\$ 4,724,166</u>

D. Interfund receivables, payables, and transfers

Interfund balances result from timing differences between dates (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. These balances routinely clear out each month or prior to year-end.

The composition of interfund balances as of June 30, 2018, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	\$ 1,194,352
	Transit fund	4,227,443
	Parking fund	6,510,000
	Subtotal	<u>11,931,795</u>
Nonmajor governmental funds	General fund	300,837
	Nonmajor governmental funds	54,986
	Stormwater fund	290,000
	Subtotal	<u>645,823</u>
Convention center fund	Nonmajor governmental funds	10,171
	General fund	4,722
	Subtotal	<u>14,893</u>
Fiduciary fund	General fund	174,858
	Total	<u><u>\$ 12,767,369</u></u>

The largest component of the \$11,931,795 receivables in the general fund represents an interfund loan for cash deficits that were covered by the general fund and reclassified to the transit enterprise fund (\$4,227,443), as well as grants (\$1,194,352) nonmajor governmental funds. This reclassification occurs due to the nature of grant drawdowns and the fact the City has pre-spending authority on most grant projects. There was also an interfund loan (\$6,510,000) to the Parking Fund to cover closing costs on the Kane Parking Deck. The amounts owed to the nonmajor governmental and business-type activities represent normal fiscal operations. The \$174,858 general fund payable represents a final year-end employer contribution owed to the OPEB fund, which is a fiduciary fund.

A summary of interfund transfers for the fiscal year ended June 30, 2018 is as follows:

<u>Funds</u>	<u>General fund</u>	<u>Nonmajor governmental</u>	<u>Water and sewer</u>	<u>Solid waste services</u>	<u>Convention center</u>	<u>Mass transit</u>	<u>Internal service</u>	<u>Total Transfers Out</u>
General fund	\$ -	\$ 27,795,854	\$ -	\$ 6,400,000	\$ 2,973,875	\$21,198,653	\$ 592,201	\$ 58,960,583
Nonmajor governmental	11,554,073	-	-	-	23,806,023	698,850	-	36,058,946
Water and sewer	-	1,765,645	-	-	-	-	-	1,765,645
Solid waste services	-	246,371	-	-	-	-	500,000	746,371
Parking	101,000	28,682	-	-	-	-	1,076,656	1,206,338
Convention center	-	116,458	-	-	-	-	-	116,458
Mass transit	-	327,505	-	-	-	-	-	327,505
Stormwater	160,341	451,725	237,500	-	-	-	-	849,566
Internal service	-	69,141	-	-	-	-	-	69,141
Total Transfers In	\$ 11,815,414	\$ 30,801,381	\$ 237,500	\$ 6,400,000	\$ 26,779,898	\$21,897,503	\$ 2,168,857	\$ 100,100,553

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the general fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The transfer made internally in the general fund between its operating and debt service components was \$63,224,653. This transfer was eliminated as part of the consolidation of the general fund as reported in the basic financial statements.

E. Operating leases

During fiscal year 2017-18 total rental payments on noncancelable operating leases was \$6,016,564. The following is a schedule by years of minimum future rentals on noncancelable operating leases as of June 30, 2018:

<u>Fiscal Year Ending June 30</u>	<u>Lease Payments</u>
2019	\$ 6,462,986
2020	5,786,867
2021	4,920,131
2022	3,669,484
2023	2,770,380
2024 and beyond	10,679,663
	<u>\$ 34,289,511</u>

F. Long-term obligations

1. General obligation bonds

The City issues general obligation bonds to fund the acquisition and/or construction of major Parks and Recreation, Transportation and Housing Program capital and noncapital needs. General obligation bonds have been issued for the governmental activities. The bonds are direct obligations and pledge the full faith and credit of the City and are expected to be repaid with general fund revenues. Interest on the bonds is payable semi-annually.

General obligation bonds outstanding at June 30, 2018 are as follows:

Purpose	Interest Rates	Date Issued	Date Series Matures	Amount of Original Issue	Balance Outstanding June 30, 2018	Due Within One Year Fiscal 2018-2019
Governmental Activities						
Public Improvement, Series 2009A	2.50% to 3.00%	3/10/2009	2/1/2029	\$ 11,130,000	\$ 555,000	\$ 555,000
Housing, Series 2009C - Taxable	4.15% to 4.70%	3/11/2009	2/1/2029	10,000,000	500,000	500,000
GO Refunding, Series 2009D	3.50% to 5.00%	7/28/2009	12/1/2020	33,640,000	10,205,000	5,745,000
GO Refunding, Series 2009E	5.00%	7/28/2009	12/1/2018	14,180,000	3,715,000	3,715,000
Public Improvement, Series 2009F	5.00%	9/3/2009	2/1/2029	57,665,000	2,300,000	2,300,000
Housing, Series 2009G	4.00% to 4.25%	9/3/2009	2/1/2030	10,000,000	500,000	500,000
GO Refunding, Series 2011A	2.50% to 5.00%	10/27/2011	9/1/2022	32,055,000	29,755,000	1,605,000
Public Improvement, Series 2012A	3.00% to 5.00%	5/15/2012	4/1/2032	9,000,000	2,850,000	300,000
Public Improvement, Series 2012B	3.00% to 5.00%	5/16/2012	4/1/2032	138,600,000	43,750,000	4,700,000
Public Improvement, Series 2014	3.00% to 3.25%	6/26/2014	6/1/2032	15,000,000	12,200,000	800,000
Street Improvement, Series 2015A	3.00% to 5.00%	6/24/2015	6/1/2034	5,050,000	4,300,000	250,000
GO Bonds, Series 2015B	3.00% to 5.00%	6/25/2015	6/1/2034	20,000,000	17,000,000	1,000,000
Housing Bonds, Series 2015C - Taxable	3.00% to 4.00%	6/25/2015	6/1/2034	10,000,000	8,500,000	500,000
General Obligation Refunding, Series 2016A	2.25% to 5.00%	3/2/2016	9/1/2030	101,850,000	101,850,000	-
General Obligation Refunding, Series 2016B	.50% to 1.99%	3/2/2016	9/1/2022	16,255,000	15,540,000	-
Housing Bonds, Series 2016C	2.00% to 3.375%	3/2/2016	2/1/2036	6,000,000	5,400,000	300,000
Public Improvement Bonds, Series 2017	3.00% to 5.00%	2/14/2017	2/1/2037	68,000,000	64,600,000	3,400,000
Total Governmental Activities					\$ 323,520,000	\$ 26,170,000

There were no new general obligation debt issuances during fiscal year 2017-18.

Annual debt service requirements to maturity for general obligation bonds are as follows:

Fiscal Year Ending June 30	Governmental Activities	
	Principal	Interest
2019	\$ 26,170,000	\$ 13,109,403
2020	25,920,000	11,859,781
2021	24,535,000	10,777,591
2022	24,800,000	9,783,551
2023	23,490,000	8,732,246
2024-2028	108,685,000	29,296,956
2029-2033	72,770,000	9,000,188
2034-2037	17,150,000	1,303,125
	<u>\$ 323,520,000</u>	<u>\$ 93,862,841</u>

Status of Bond Authorizations. The following represent continuing authorization of general obligation bonds, which were unsold at June 30, 2018:

Transportation - October 8, 2013	\$ 35,090,000
Transportation - October 10, 2017	\$ 206,700,000
Parks and Recreation - November 4, 2014	\$ 63,685,000
Total	<u>\$ 305,475,000</u>

2. Defeased debt and refundings

There was no refunding of general obligation debt during fiscal year 2017-18.

In prior years, the City has defeased various other bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the City's government-wide financial statements. As of June 30, 2018, the amount of defeased debt outstanding was \$129,863,875.

3. Revenue bonds

The City also issues revenue bonds to fund various water and sewer utility capital projects. The bonds are payable serially over the next 30 years and have stated interest rates between 0.65% and 5.00% and one variable rate issue at 1.45% at June 30, 2018.

The City has pledged water and sewer customer revenues, net of specified operating expenses, to repay \$673,815,000 in water and sewer system revenue bonds. This pledge relates to all water and sewer revenue bonds outstanding, issued for the purpose of making water and sewer system improvements. The bonds are payable solely from water and sewer customer net revenues and are payable through 2046. Annual debt service requirements for 2017-18 were 23.10% of gross utility revenue and are expected to remain in this range.

Revenue bonds outstanding at June 30, 2018 are as follows:

	Interest	Date	Date	Amount of	Balance	Due Within
Water and Sewer Revenue Bonds	Rates	Issued	Series Matures	Original Issue	Outstanding June 30, 2018	One Year Fiscal 2018-2019
Water/Sewer, Series 2008A Variable Rate	4.163%	06/12/08	03/01/35	90,000,000	\$ 70,950,000	\$ 2,865,000
Water/Sewer, Series 2008B Variable Rate	4.163%	06/12/08	03/01/35	60,000,000	47,310,000	1,910,000
Water/Sewer Refunding, Series 2010A	2.25 - 5.00%	03/20/10	03/01/23	68,745,000	41,105,000	9,195,000
Water/Sewer, Series 2011	3.00 - 5.00%	02/10/11	03/01/40	10,435,000	7,995,000	2,535,000
Water/Sewer Refunding, Series 2012A	5.00%	04/05/12	03/01/31	31,230,000	31,230,000	-
Water/Sewer, Series 2013A	2.00 - 5.00%	05/16/13	03/01/43	66,895,000	62,785,000	1,450,000
Water/Sewer Refunding, Series 2013A	3.75 - 5.00%	05/16/13	03/01/33	112,780,000	112,780,000	-
Water/Sewer Refunding, Series 2013B, Taxable	0.65 - 2.14%	05/16/13	03/01/22	23,470,000	11,050,000	3,620,000
Water/Sewer Refunding, Series 2015A	3.25 - 4.00%	04/30/15	12/01/35	47,815,000	47,815,000	-
Water/Sewer Refunding, Series 2015B	3.00 - 5.00%	12/08/15	12/01/25	49,860,000	49,435,000	2,495,000
Water/Sewer, Series 2016A	3.00 - 5.00%	11/16/16	03/01/46	99,170,000	99,170,000	1,910,000
Water/Sewer Refunding, Series 2016B	3.00 - 5.00%	11/16/16	03/01/40	92,190,000	92,190,000	-
Total Water and Sewer Revenue Bonds					<u>\$ 673,815,000</u>	<u>\$ 25,980,000</u>

Annual debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Business-type Activities	
	Principal	Interest
2019	\$ 25,980,000	\$ 29,126,790
2020	27,200,000	27,982,278
2021	28,365,000	26,792,480
2022	29,940,000	25,523,328
2023	28,760,000	24,151,477
2024-2028	156,700,000	99,528,886
2029-2033	175,640,000	61,735,847
2034-2038	129,970,000	25,898,426
2039-2043	54,765,000	9,698,900
2044-2046	16,495,000	1,336,800
	<u>\$ 673,815,000</u>	<u>\$ 331,775,212</u>

A trust agreement, dated December 1, 1996 and amended by the First Amendatory Trust Agreement, dated as of April 15, 2004, authorizes and secures all outstanding revenue bonds. Certain financial covenants are contained in the trust agreement, controlled by the trustee, including the requirement that the City maintain a long-term debt service coverage ratio on all utility debt of not less than 1.00. The City was in compliance with all such covenants during the fiscal year ended June 30, 2018.

The debt service coverage ratio for the fiscal year end is as follows:

Operating revenues	\$ 252,042,775
Operating expenses	(142,633,345)
Operating income	109,409,430
Nonoperating revenues	9,507,165
Nonoperating expenses	(30,450,043)
Change in net position	88,466,552
Allowable revenue adjustments for calculation	(2,100,518)
Allowable expense adjustments for calculation	72,796,287
Income available for debt service	<u>\$ 159,162,321</u>
Debt service, principal and interest paid on	
revenue bonds and certain state loans (Parity)	\$ 60,380,286
Debt service coverage ratio	2.64

4. Other long-term obligations

Other long-term obligations include reimbursement contracts, capital lease obligations, certificates of participation, installment financing agreements, limited obligation bonds, earned vacation pay and landfill closure and postclosure costs. The total amount to be paid in the future periods including interest on certificates, installment financing agreements and other installment obligations is \$814,725,303.

Installment Financing Agreements. The City has previously issued \$243,425,000 in variable rate certificates of participation to finance the construction of the convention center.

This debt was sold by the Walnut Creek Financing Assistance Corporation, a blended component unit of the City, whose main purpose is to issue certificates of participation for the City. The City has remarketing and standby purchase agreements with banks related to two variable rate issues. Under these agreements, the banks will remarket any certificates for which payment is demanded. If the certificates cannot be remarketed, the banks will purchase the certificates. Interest rates may change pursuant to the terms of the debt agreements based on market conditions. The interest rates, per the remarketing agreements, cannot exceed 12.00%. The maximum interest, which cannot exceed 12.00%, required for these variable rate certificates through maturity would be \$305,034,600. The interest rates for each of the two variable rate issues were 1.51% at June 30, 2018.

The following schedule shows the expiration dates, which can be renewed, fees paid in fiscal year 2017-18 pursuant to the terms of the debt agreements, and the swap interest rate at year-end for these issues.

Issue	Balance June 30, 2018	Agreement Expiration	Fees Paid FY 2018	Interest Rate June 30, 2018
2004A	\$ 55,000,000	January 5, 2019	\$ 176,244	1.51 %
2005B	\$ 156,920,000	December 26, 2017	\$ 937,849	1.51 %

The debt service requirements to maturity, for these variable rate installment financing agreements, including the converted fixed rate note, are shown below:

Fiscal Year Ending June 30	Business-type Activities	
	Principal	Interest
2019	\$ 9,645,734	\$ 8,731,140
2020	10,035,735	8,358,035
2021	10,530,735	7,854,006
2022	10,945,735	7,444,344
2023	11,420,734	6,970,173
2024-2028	64,965,947	26,861,980
2029-2033	87,493,915	11,796,174
2034-2037	22,141,929	710,251
	<u>\$ 227,180,464</u>	<u>\$ 78,726,103</u>

The City has previously entered into installment financing agreements to finance various general governmental capital projects. These debt issues carry fixed interest rates of 5.54% (outdoor amphitheater), 3.00% to 5.25% (downtown improvement projects), 1.76% (enterprise resource planning technology), and 3.00% to 4.25% (parks projects). The City also previously entered into limited obligation bonds that carry fixed coupon interest rates from 3.00% to 5.57%, and one variable rate at 0.89% at June 30, 2018, for the purpose of rehabilitating existing structures and constructing remote operations centers. Principal and interest requirements will be provided by appropriation in the year in which they become due. A detail of these debt issues is as follows:

	Date	Date	Amount of	Balance	Due Within
	Issued	Series	Original	Outstanding	One Year
Installment Financing Agreements - General Governmental		Matures	Issue	June 30,	Fiscal
				2018	2018-2019
Limited Obligation Bds 2010A - BAB's portion	08/10	06/01/27	\$ 6,371,209	\$ 6,371,209	\$ -
Limited Obligation Bds 2010A - RZEDB's portion	08/10	06/01/35	15,000,000	15,000,000	-
Limited Obligation Bds 2010B - Tax Exempt portion	08/10	06/01/20	11,093,494	1,840,901	920,451
Limited Obligation Bds 2013A&B	08/13	10/01/38	47,595,000	43,455,000	2,070,000
Limited Obligation Bds 2013B Refunding	08/13	10/01/24	5,885,000	3,950,000	595,000
Limited Obligation Bds 2014A - CPS Fac & FS 12	08/14	10/01/39	66,715,000	58,715,000	2,670,000
Dix Park Acquisition IFA 2015	07/15	07/01/25	52,000,000	41,600,000	5,200,000
Limited Obligation Bds 2016 - Refunded 2005C COPS	02/16	02/01/20	2,245,000	1,100,000	555,000
Limited Obligation Bds 2016 - Refunded 2007 COPS (Fayetteville st)	02/16	02/01/27	3,031,757	2,713,637	312,162
Limited Obligation Bds 2016 - Refunded 2007 COPS (Transfer Station)	02/16	02/01/27	906,722	829,602	79,460
Limited Obligation Bds 2016 - Refunded PNC Draw Prog	02/16	02/01/36	6,438,250	5,794,425	323,050
Limited Obligation Bds 2016 - New Money	02/16	02/01/36	2,216,575	1,995,111	111,216
Limited Obligation Bds 2016A - Refunded 2009 LOBS	06/16	06/01/24	3,819,270	2,788,873	500,103
Limited Obligation Bds 2016A - Refunded 2009 LOBS	06/16	06/01/34	23,577,928	20,944,630	1,316,799
Total Installment Financing Agreements - General Governmental				\$ 207,098,388	\$ 14,653,241

Annual maturities are as follows:

Fiscal Year Ending June 30	Governmental Activities	
	Principal	Interest
2019	\$ 14,653,241	\$ 8,049,007
2020	14,608,511	7,574,837
2021	14,046,201	7,089,700
2022	14,015,472	6,595,020
2023	13,985,617	6,101,828
2024-2028	56,721,578	23,240,011
2029-2033	41,676,595	13,468,997
2034-2038	29,996,172	4,571,421
2039	7,395,000	249,834
	<u>\$207,098,388</u>	<u>\$ 76,940,655</u>

The City has previously entered into installment financing agreements to finance various downtown parking facilities. These agreements bear interest at rates ranging from 4.20% to 5.25% with a variable rate component for one agreement, not to exceed 15.00%, which was 1.50% at June 30, 2018. There are also two variable rate agreements that each had an interest rate of 1.85% at June 30, 2018. Principal and interest requirements will be provided by appropriation in the year in which they become due. A detail of these debt issues is as follows:

	Date	Date	Amount of	Balance	Due Within
	Issued	Series	Original	Outstanding	One Year
Installment Financing Agreements - Parking	Issued	Matures	Issue	June 30, 2018	Fiscal 2018-2019
COPS 2008 - Taxable - Blount St Parking Deck	08/08	08/01/33	\$ 12,950,000	\$ 9,070,000	\$ 430,000
COPS 2009 - Taxable - Site One Parking Deck	07/09	08/01/35	24,875,000	20,610,000	830,000
Limited Obligation Bds 2013B Refunding	08/13	10/01/24	8,860,000	6,485,000	860,000
Limited Obligation Bds 2014B Refunding	11/14	10/01/34	21,370,000	19,270,000	760,000
Limited Obligation Bds 2016 - Refunded 2007 COPS	02/16	02/01/32	9,429,633	8,928,353	515,541
Limited Obligation Bds 2016A - Refunded 2009 LOBS	06/16	06/01/20	2,261,875	1,115,305	560,722
Total Installment Financing Agreements - Parking				<u>\$ 65,478,658</u>	<u>\$ 3,956,263</u>

Annual maturities are as follows:

Fiscal Year Ending June 30	Business-type Activities	
	Principal	Interest
2019	\$ 3,956,263	\$ 2,336,246
2020	4,083,473	2,350,361
2021	3,661,382	2,200,466
2022	3,810,614	2,076,992
2023	3,961,318	2,062,198
2024-2028	19,230,608	8,405,122
2029-2033	20,335,000	4,311,450
2034-2035	6,440,000	415,500
	<u>\$ 65,478,658</u>	<u>\$ 24,158,335</u>

The City has previously issued debt associated with the Solid Waste Services function. These include certificates of participation that carry fixed interest rates of 4.00% to 5.00% (solid waste transfer station), limited obligation bonds that carry fixed coupon interest rates from 3.00% to 5.57% and a variable rate agreement that had an interest rate of 1.50% at June 30, 2018 (design and construction of remote operations center). A detail of these debt issues is as follows:

	Date Issued	Date Series Matures	Amount of Original Issue	Balance Outstanding June 30, 2018	Due Within One Year Fiscal 2018-2019
<u>Installment Financing Agreements - Solid Waste Services</u>					
Limited Obligation Bds 2010A - Taxable	08/10	06/01/27	\$ 6,468,792	\$ 6,468,792	\$ -
Limited Obligation Bds 2010B - Tax Exempt portion	08/10	06/01/27	7,491,506	1,869,098	934,549
Limited Obligation Bds 2016 - Refunded 2007 COPS	02/16	02/01/27	3,626,888	3,318,408	317,838
Limited Obligation Bds 2016A - Refunded 2009 LOBS	06/16	06/01/34	1,295,928	1,151,193	72,376
Total Installment Financing Agreements - Solid Waste Services				<u>\$ 12,807,491</u>	<u>\$ 1,324,763</u>

Annual maturities are as follows:

Fiscal Year Ending June 30	Business-type Activities	
	Principal	Interest
2019	\$ 1,324,763	\$ 561,014
2020	1,332,280	510,893
2021	1,346,683	457,951
2022	1,353,179	406,441
2023	1,367,328	348,257
2024-2028	5,651,870	766,060
2029-2033	359,490	57,518
2034	71,898	2,876
	<u>\$ 12,807,491</u>	<u>\$ 3,111,010</u>

The City has previously issued certificates of participation and master installment financing agreements to fund separate internal service funds for the purchase of rolling stock equipment for governmental and business-type activities. The debt issues carry fixed interest rates ranging from 0.90% to 1.87%. Principal and interest requirements for these debt issues will be provided by appropriation in the year they become due. A detail of these debt issues is as follows:

	Date Issued	Date Series Matures	Amount of Original Issue	Balance Outstanding June 30, 2018	Due Within One Year Fiscal 2018-2019
Installment Financing Agreements - Internal Service					
Equipment Acquisition Project, Series 2015	06/18/15	06/30/20	\$ 31,850,676	\$ 12,973,091	\$ 6,443,299
Equipment Acquisition Project, Series 2017	06/27/17	06/30/22	42,303,111	34,141,403	8,298,545
Total Installment Financing Agreements - Internal Service				\$ 47,114,494	\$ 14,741,844

Annual maturities are as follows:

Fiscal Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2019	\$ 8,571,040	\$ 468,614	\$ 6,170,804	\$ 283,302
2020	8,715,439	324,215	6,268,806	185,300
2021	5,678,295	187,940	2,934,996	97,143
2022	5,784,976	81,260	2,990,138	42,002
	<u>\$ 28,749,750</u>	<u>\$ 1,062,029</u>	<u>\$ 18,364,744</u>	<u>\$ 607,747</u>

State Revolving Loans. During the current fiscal year, the City's Water and Sewer Utility enterprise received \$3,473,259 in proceeds from state revolving fund loans. These loans carry fixed interest rates of 0.00% to 2.00% and are payable over 20 years. Final amounts for these loans will be determined when the associated projects close. Repayment will begin six months after respective project completion.

The City has previously entered into state revolving loans to finance various water and sewer capital projects. These debt issues carry fixed interest rates of 2.00% to 2.95% (water/sewer system improvements), 2.66% (water improvements to Rolesville merged utilities), and 0.00% (spray irrigation). Principal and interest requirements for these debt issues will be provided by appropriation in the year they become due.

The City's participation in the state revolving fund loan program is summarized below:

State Revolving Loans	Interest Rates	Date Issued	Date Series Matures	Amount of Original Issue	Balance Outstanding June 30, 2018	Due Within One Year Fiscal 2018-2019
Water and Sewer:						
Neuse River Nitrogen Removal	2.95%	7/31/1998	5/1/2018	\$ 7,972,965	\$ -	\$ -
Crabtree Creek Interceptor Phase 3	2.60%	1/7/2000	5/1/2020	3,300,000	330,000	165,000
Rolesville Projects	2.66%	11/14/2005	5/1/2025	3,000,000	1,050,000	150,000
Spray Irrigation	0.00%	9/1/2010	5/1/2030	625,694	337,628	28,135
Crabtree Creek North Bank Interceptor	2.45%	7/5/2011	5/1/2033	11,094,556	7,283,234	485,549
Centennial Reuse Pipeline Segment 4	0.00%	5/1/2012	5/1/2033	5,125,312	2,857,855	190,524
NRWWTP 15MGD Expansion	2.00%	4/18/2013	5/1/2037	27,638,450	24,857,992	1,381,922
DE Benton Backwash Waste Facility	0.00%	5/18/2013	5/1/2034	7,075,847	5,874,509	367,157
Sodium Permanganate Facility	0.00%	3/26/2015	5/1/2036	3,678,800	2,788,813	178,938
Crabtree Creek Improvement Phase II	2.00%	7/13/2015	5/1/2037	37,500,000	16,112,691	1,875,000
Water and Sewer Total					61,492,722	4,822,225
Stormwater:						
Upper Longview Restoration	0.00%	1/16/2013	5/1/2035	2,034,751	1,627,801	101,738
Stormwater Total					1,627,801	101,738
Total State Revolving Loan Amount					\$ 63,120,523	\$ 4,923,963

Annual maturities for Water and Sewer Utility are as follows:

Fiscal Year Ending June 30	Business-type Activities	
	Principal	Interest
2019	\$ 4,822,225	\$ 965,262
2020	4,822,225	879,923
2021	4,657,225	794,584
2022	4,657,225	713,536
2023	4,657,225	632,487
2024-2028	16,465,105	2,115,937
2029-2033	13,076,720	1,032,341
2034-2037	8,334,772	185,338
	<u>\$ 61,492,722</u>	<u>\$ 7,319,408</u>

The City has previously entered into a state revolving loan program to fund lake and stream enhancements. The loan is to be repaid in annual payments over 20 years at 0.00% interest.

Annual maturities for the Stormwater Utility are as follows:

Fiscal Year Ending June 30	Business-type Activities Principal
2019	\$ 101,738
2020	101,738
2021	101,738
2022	101,738
2023	101,738
2024-2028	508,687
2029-2033	508,687
2034-2035	101,737
	<u>\$ 1,627,801</u>

Earned Vacation Pay. At June 30, 2018, earned vacation pay consists of \$21,891,259 for governmental activities and \$5,315,310 for business-type activities.

Landfill Postclosure Care Costs. State and federal laws and regulations require the City to maintain a final cover over its Wilders Grove landfill site and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The landfill was closed for waste disposal on December 31, 1997. During 2017-18 the third party cost estimate was updated for both postclosure costs and the corrective action plan (CAP) costs associated with ground water violations at the landfill identified in 2007-08 and new proposed stream bank repairs. The \$4,995,411 reported as landfill postclosure liability as of June 30, 2018 includes the CAP report cost estimate as well as the cost to perform the on-going postclosure care. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The City is required by state and federal laws and regulations to demonstrate financial assurance for postclosure care. The City is in compliance with these requirements, and, demonstrated such by completion of the local government financial assurance test submitted to NC Department of Environmental Quality – Solid Waste Section on November 28, 2017.

5. *Changes in long-term liabilities*

There were no current year additions to the noncash related installment financing for governmental activities.

Certain internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for these funds are included as part of the totals for governmental activities. At year end \$437,205 of internal service funds earned vacation pay are included in the next chart as part of governmental activities. Also, for the governmental activities, earned vacation pay is generally liquidated by the general fund.

Long-term liability governmental activity for the year ended June 30, 2018 was as follows:

	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018	Due Within One Year
<u>Governmental activities:</u>					
General obligation bonds	\$ 349,375,000	\$ -	\$ 25,855,000	\$ 323,520,000	\$ 26,170,000
Unamortized premiums - GO bonds	50,140,280	-	4,204,459	45,935,821	4,204,458
Installment financing agreements	264,382,750	-	28,534,612	235,848,138	23,224,281
Unamortized premiums on IFA	5,868,496	-	254,975	5,613,521	254,975
Earned vacation pay	20,941,300	13,831,955	12,881,996	21,891,259	12,881,996
Claims payable	19,738,902	3,994,415	4,390,284	19,343,033	7,316,521
Subtotal before pension	710,446,728	17,826,370	76,121,326	652,151,772	74,052,231
Net pension liability (LEOSSA)	41,779,030	7,168,998	3,507,847	45,440,181	-
Net pension liability (LGERS)	59,357,573	14,123,320	31,930,212	41,550,681	-
Net pension liability (OPEB)	3,787,635	190,817,195	54,110,346	140,494,484	-
Subtotal pension	104,924,238	212,109,513	89,548,405	227,485,346	-
Total governmental activities	\$ 815,370,966	\$ 229,935,883	\$ 165,669,731	\$ 879,637,118	\$ 74,052,231

Long-term liability business-type activity for the year ended June 30, 2018 was as follows:

	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018	Due Within One Year
<u>Business-type activities:</u>					
<i>Water and Sewer:</i>					
Revenue bonds	\$ 696,945,000	\$ -	\$ 23,130,000	\$ 673,815,000	\$ 25,980,000
Unamortized premium - Rev. bonds	64,524,996	-	3,232,161	61,292,835	3,641,385
Installment financing agreements	63,176,859	3,473,259	5,157,396	61,492,722	4,822,225
Earned vacation pay	2,976,336	2,251,469	2,130,513	3,097,292	2,130,513
Net pension liability (LGERS)	12,605,425	2,985,012	6,748,560	8,841,877	-
Net pension liability (OPEB)	809,081	40,743,158	11,436,407	30,115,832	-
Subtotal Water and Sewer	841,037,697	49,452,898	51,835,037	838,655,558	36,574,123
<i>Convention Center Complex:</i>					
Installment financing agreements	236,441,229	-	9,260,765	227,180,464	9,645,734
Unamortized premiums - IFA	2,239,744	-	117,884	2,121,860	117,881
Earned vacation pay	659,356	315,034	306,770	667,620	306,770
Claims payable	1,105	-	-	1,105	1,105
Net pension liability (LGERS)	2,036,344	493,727	1,116,225	1,413,846	-
Net pension liability (OPEB)	131,969	6,649,368	1,891,606	4,889,731	-
Subtotal Convention Center Complex	241,509,747	7,458,129	12,693,250	236,274,626	10,071,490
<i>Transit:</i>					
Earned vacation pay	44,011	34,343	25,108	53,246	25,108
Net pension liability (LGERS)	420,194	117,770	266,256	271,708	-
Net pension liability (OPEB)	27,134	1,376,099	451,209	952,024	-
Subtotal Transit	491,339	1,528,212	742,573	1,276,978	25,108
<i>Stormwater:</i>					
Installment financing agreements	1,729,539	-	101,738	1,627,801	101,738
Earned vacation pay	314,477	388,547	178,046	524,978	178,046
Net pension liability (LGERS)	1,940,613	543,553	1,228,873	1,255,293	-
Net pension liability (OPEB)	139,369	7,034,405	2,082,502	5,091,272	-
Subtotal Stormwater	4,123,998	7,966,505	3,591,159	8,499,344	279,784
<i>Parking:</i>					
Installment financing agreements	69,100,715	-	3,622,057	65,478,658	3,956,263
Unamortized premiums - IFA	3,802,883	-	261,114	3,541,769	261,113
Earned vacation pay	112,013	91,368	75,759	127,622	75,759
Net pension liability (LGERS)	751,883	176,655	399,384	529,154	-
Net pension liability (OPEB)	48,101	2,421,785	676,813	1,793,073	-
Subtotal Parking	73,815,595	2,689,808	5,035,127	71,470,276	4,293,135
<i>Solid Waste Services:</i>					
Installment financing agreements	14,125,409	-	1,317,918	12,807,491	1,324,763
Unamortized premiums - IFA	872,951	-	145,773	727,178	145,772
Earned vacation pay	791,766	594,871	542,085	844,552	542,085
Landfill postclosure	4,382,253	613,158	-	4,995,411	1,139,300
Net pension liability (LGERS)	4,033,324	964,806	2,181,249	2,816,881	-
Net pension liability (OPEB)	259,005	13,047,858	3,696,441	9,610,422	-
Subtotal Solid Waste Services	24,464,708	15,220,693	7,883,466	31,801,935	3,151,920
<i>Internal Service Funds:</i>					
Installment financing agreements	28,330,545	-	9,965,801	18,364,744	6,170,804
Total business-type activities	\$ 1,213,773,629	\$ 84,316,245	\$ 91,746,413	\$ 1,206,343,461	\$ 60,566,364

6. Arbitrage

In accordance with Section 148 of the Internal Revenue Code of 1986, as amended, and Sections 1.103-13 to 1.103-15 of the related Treasury Regulations, the City must rebate to the federal government “arbitrage profits” earned on governmental bonds issued after August 31, 1986. Arbitrage profits are the excess of the amount earned on investments over the interest paid on the borrowings. At June 30, 2018, the City had no arbitrage liabilities.

7. Interest rate swaps

2005 Swap

The City entered into an interest rate swap agreement for the Downtown Municipal Improvement Projects Series 2005B variable rate certificates of participation effective January 20, 2005. The synthetic fixed rate swap effectively changes these variable rate demand obligations (VRDOs) to the fixed rate of 4.36%.

The certificates of participation and the related swap agreement mature on February 1, 2034. The swap notional amount of \$165,330,000 matches the variable rates certificates of participation. Beginning in February 2015, the notional value of the swap and the principal amount of the associated debt started to decline annually. Under the swap agreement, the City pays the counterparty a fixed interest payment semiannually at 4.36% of the notional amount and receives a variable interest payment equivalent to the Bond Market Association Municipal Swap Index (BMA). At June 30, 2018, the swap had a negative fair value to the City of \$24,659,658. This mark to market valuation was established by market quotations obtained by the counterparty, representing an estimate of the amount that would be paid for replacement transactions. As of June 30, 2018, the City was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the City would be exposed to credit risk in the amount of the derivative’s positive fair value. At June 30, 2018, Citibank NA, the counterparty, was rated “A1” by Moody’s Investor’s Service, “A+” by Standard and Poor’s Ratings Services, and “A+” by Fitch Ratings. The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. Termination could result in the City being required to make or being entitled to receive an unanticipated termination payment based on the market value on the date of termination. As rates vary, variable rate bond interest payments and net swap payments will vary. The principal and interest payments shown below are components of the business-type activities demand bond debt service requirements as reported on page 41.

Using rates as of June 30, 2018, debt service requirements of the variable rate debt and net swap payments, assuming current interest rates remain the same for the term of the 2005B variable rate certificates, were as follows:

Fiscal Year Ending June 30	Principal	Variable Rate Interest	Interest Rate Swaps, Net*	Total Interest
2019	\$ 8,795,000	\$ 2,447,952	\$ 4,393,760	\$ 6,841,712
2020-2024	50,580,000	12,505,116	22,445,080	34,950,196
2025-2029	63,570,000	8,173,464	14,670,320	22,843,784
2030-2034	33,975,000	3,762,564	6,753,320	10,515,884
Total	<u>\$ 156,920,000</u>	<u>\$ 26,889,096</u>	<u>\$ 48,262,480</u>	<u>\$ 75,151,576</u>

*Computed using 4.36% less floating rate paid to the City (1.56% at June 30, 2018) times \$188,425,000 less accumulated annual reductions.

2008 Swap

On February 9, 2006, the City entered into forward starting swap transactions with two financial institutions as related to \$150,000,000 of water and sewer revenue bonds to be issued in 2008. The City engaged the swap transactions effective June 18, 2008 in conjunction with the issue of variable rate revenue bonds. Under the swap agreements, the City pays the counterparties a fixed interest rate payment at 4.163% of the swap notional amount (\$150,000,000) and receives a variable interest rate payment equivalent to the BMA. At June 30, 2018, the swaps had a combined negative fair value to the City of \$19,337,941, which mitigates the City's exposure to credit risk. However, should interest rates change and the fair value of swaps become positive, the City would be exposed to credit risk in the amount of the derivatives' positive fair values. At June 30, 2018, Citibank NA, one of the counterparties, was rated "A1" by Moody's Investor's Service, "A+" by Standard and Poor's Ratings Services, and "A+" by Fitch Ratings. Wells Fargo Bank, N.A., the other counterparty, was rated "Aa2" by Moody's Investor's Service, "A+" by Standard and Poor's Ratings Services, and "AA-" by Fitch Ratings. The derivative contracts use the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. Termination could result in the City being required to make or being entitled to receive an unanticipated termination payment based on the market value on the termination date. As rates vary, variable rate bond interest payments and net swap payments shown below are components of the business type activities revenue bond debt service requirements as reported on page 39.

Using the rates as of June 30, 2018, debt service requirements of the variable rate debt and net swap payments, assuming current interest rates remain the same for the term of the 2008 A and B variable rate bonds were as follows:

Fiscal Year Ending June 30	Principal	Variable Rate Interest	Interest Rate Swaps, Net*	Total Interest
2019	\$ 4,775,000	\$ 1,844,856	\$ 3,078,308	\$ 4,923,164
2020-2024	27,415,000	8,032,284	13,402,587	21,434,871
2025-2029	34,090,000	5,695,638	9,503,683	15,199,321
2030-2034	42,350,000	2,790,684	4,656,507	7,447,191
2035	9,630,000	150,228	250,669	400,897
Total	<u>\$ 118,260,000</u>	<u>\$ 18,513,690</u>	<u>\$ 30,891,754</u>	<u>\$ 49,405,444</u>

**Computed using 4.163% less floating rate paid to the City (1.56% at June 30, 2018) times \$150,000,000 less accumulated annual reductions.*

G. Restricted assets

Cash, cash equivalents and investments are restricted in the accompanying statements as follows by fund:

	Deposits	Unspent Debt Proceeds
<u>Governmental</u>		
General Fund	\$ 21,899	\$ 27,697
Nonmajor governmental funds	3,489,806	81,553,022
Total governmental	3,511,705	81,580,719
 <u>Enterprise</u>		
Water and sewer fund	15,294,459	62,345,526
Convention center fund	501,153	-
Mass transit fund	50,305	-
Stormwater fund	13,165,730	-
Parking Fund	-	66,303
Total enterprise	29,011,647	62,411,829
 <u>Internal service funds</u>		
Governmental equipment replacement fund	-	11,223,230
Public utilities equipment replacement fund	-	2,418,776
Solid waste services equipment replacement fund	-	2,832,179
Total internal service fund	-	16,474,185
 Total	 \$ 32,523,352	 \$ 160,466,733

Note 4. Other Information

A. Risk management and employees' health benefits

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters; and medical and dental claims for employees, retirees, and dependents.

The City protects itself from potential loss through a combination of self-insurance programs and the purchase through the private sector of commercial insurance for various primary and excess coverages. There were no significant changes in insurance coverage from the prior year.

City insurance coverage includes workers' compensation, general liability, automobile liability, police liability, cyber liability, automobile comprehensive, real and personal property. For workers' compensation, the City self-insures the first \$1,100,000 per occurrence with excess coverage of \$10,000,000 per occurrence and employers' liability coverage of \$1,000,000 per occurrence and in the aggregate. For liability, the City self-insures the first \$1,000,000 per occurrence, with excess coverage of \$10,000,000 in the aggregate. For cyber liability, the City has coverage up to \$5,000,000. For property, the City self-insures the first \$100,000 per occurrence, with excess coverage up to the replacement value of \$500,000,000 per occurrence. The excess coverage includes \$100,000,000 in the aggregate for loss due to flood and \$10,000,000 annual aggregate for flood plain location losses.

The City of Raleigh, in accordance with NC General Statute §159-29, maintains a Public Official Bond on The Chief Financial Officer in the amount of \$500,000. In addition, the City purchases a Crime and Fidelity insurance policy for all other employees in the amount of \$2,000,000. City taxes are collected by the Wake and Durham County tax collectors. Wake and Durham County tax collectors are endorsed onto the City of Raleigh's Crime and Fidelity insurance policy for their collection of taxes on behalf of the City of Raleigh up to the \$2,000,000 coverage limit.

The City provides medical and dental coverage for employees and retirees. Additional premium-based dependent coverage is available at employee expense.

The City, as allowed by GASB Statement No. 10 *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, uses internal service funds, the risk management fund and the employees' health benefits fund, to account for its risk financing activities. The claims liability total of \$19,343,033 reported for these two internal service funds at June 30, 2018, is based upon the requirements of Statement 10, which require that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Claims liabilities reported include an estimate for claims incurred but not reported. The changes in reported claims liabilities in fiscal years 2017-18 and 2016-17 are as follows:

	2018	2017
Insurance claims payable, beginning of year	\$ 19,738,902	\$ 27,871,426
Current year claims and changes in estimates	39,110,003	34,718,404
Claim payments	(39,505,872)	(42,850,928)
Insurance claims payable, end of year	<u>\$ 19,343,033</u>	<u>\$ 19,738,902</u>

Employees' health benefits and risk management current portion of pending claims is \$7,316,521.

B. Commitments and contingent liabilities

Commitment - Enterprise Funds. In February 1972, the City entered into a raw water storage contract and joint use construction costs with the U. S. Corps of Engineers for raw water usage of up to 100 million gallons per day from Falls Lake. The City's estimated share of construction cost for the project was estimated at \$14,078,083 payable annually over 50 years beginning in 1984. The contract requires that the City pay certain capital and operating costs of the lake which are dependent upon future costs of operation. The City's fiscal year 2017-18 obligation was \$873,721. It is estimated, at this time, that the future cost to the City will not exceed \$900,000 annually and will be repaid in 2033 with a final payment of \$3,726,122.

Contingent Liabilities. Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally by the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the City.

Contingent Liabilities – Facility Fees. The City enters into Thoroughfare Facility Fee Reimbursement contracts that provide developers with contract awards based on the calculated value of the capital contributions to the City. Each contract states minimum amounts that must be paid and recorded as long-term liabilities in the City's entity-wide financial statements. The remaining liability amounts for each contract are paid based on a formula and are contingent on available funds in the facility fee reimbursement account. The total value of the contracts at June 30, 2018 was \$11,759,685. Of this amount, \$6,394,130 was recorded as a liability, and the remaining \$5,365,555 represents a contingent liability.

C. Jointly governed organizations

Raleigh-Durham Airport Authority. The Raleigh-Durham Airport Authority plans and conducts operations of the Raleigh-Durham International Airport. This eight-member governing body is jointly appointed by the City of Durham, City of Raleigh, County of Durham and County of Wake, with each member government appointing two members. The authority selects the management and sets the budget and financing requirements of the airport. Each member government contributes \$12,500 annually for administration of the authority. Neither the City nor the other member governments exercise management control or are responsible for budget and financing requirements for the authority. A special airport tax district of Durham and Wake Counties was created to aid in the financing of major airport facilities and is governed by two members each from the respective county boards of commissioners. Because of its limited role in the Raleigh-Durham Airport Authority and the related special tax district, the City does not consider its participation to be a joint venture and, accordingly, further disclosure of the airport entity is not included. The authority does not meet the criteria to be included in the City's financial reporting entity.

Triangle J Council of Governments. The City is a member of the Triangle J Council of Governments, which serves a seven county region and forty-two local governments. The participating member governments established the council to coordinate various regional interests and intergovernmental funding. Each participating government appoints one delegate to the council's governing board. The City paid dues of \$125,624 to the council during the fiscal year ended June 30, 2018. The council does not meet the criteria to be included in the City's financial reporting entity.

Related organizations

The Raleigh Housing Authority. The Raleigh Housing Authority assists in providing housing for low income, elderly and disabled residents of the City. The mayor appoints all members of the authority's governing body, but the authority is not otherwise financially accountable to the City. The City has no responsibility in selecting the management of the authority. The primary revenue sources for the authority are federal grants and program revenues. Financial transactions between the City and the authority reflect contractual agreements between the parties for the provision of specific services by the authority for the City.

The City is not responsible for financing any deficits of the authority nor is it entitled to any surplus. In addition, the City does not guarantee any debt of the authority and such debt is not included in determining the City's statutory debt limit.

The Raleigh Historic Districts Commission, Inc. The Raleigh Historic Districts Commission, Inc. was formed in 1993 to exercise jurisdiction for all historic properties and historic overlay districts within Raleigh's city limits and extraterritorial jurisdiction. The commission consists of 12 members appointed by the city council. The City's accountability for the commission does not extend beyond making appointments to the commission. Revenues to support the commission come from private contributions and grants from local and state governments. In the fiscal year ended June 30, 2018 the City appropriated \$75,753 to the commission. The not-for-profit organization does not meet the criteria to be included in the City's financial reporting entity.

The Raleigh Parking Deck Associates, Inc. A for-profit corporation established to finance and construct a parking deck is reflected in substance through a capital lease with the City. The corporation does not meet the criteria to be included in the City's financial reporting entity.

Interlocal agreement with Wake County

Pursuant to enabling legislation in 1991, the City of Raleigh and Wake County entered into an interlocal agreement to provide for the funding of various projects and facilities from the proceeds to be realized from the levy of a county-wide room occupancy tax and a prepared food and beverage tax. The proceeds and distributions of the taxes are accounted for in a special revenue fund maintained by the County. The City, by terms of the enabling legislation, is granted specific allocations of the taxes, but has entered into the interlocal agreement requiring joint action of the City and County governing bodies to expend both the City and County allocations.

At June 30, 2018 the balance of the trust maintained by the County was \$2,873,449, which is not available to the City except for current and future projects jointly determined by the City and the County. During fiscal year 2017-18, the City received funding as follows: an annual \$1,000,000 that the City Council dedicated for continuing support of the performing arts and convention center complex; an annual \$680,000 to fund visitor-related programs and activities and \$27,862,832 to support the financing of the convention center facility. The City will continue to receive \$1,000,000 allocations that the City Council may use for any eligible purpose in the original state legislation. In addition, the City will annually receive 85% of all uncommitted interlocal tax funds for debt service and other costs related to the convention center facility.

A tri-party agreement exists between the City of Raleigh, Wake County and the Centennial Authority, a public body created by the State of North Carolina to construct and govern operations of a multi-purpose regional sports and entertainment complex, which opened in October 1999. Through the interlocal and tri-party agreements, part of the funding for this construction has been provided by the trust. Future receipts from the taxes are committed by the authority for operating support and repayment of the authority's debt.

Interlocal Agreement with Transit Planning Advisory Committee (TPAC)

The City is an active member of the Transit Planning Advisory Committee (TPAC). The committee comprises members of representatives from agencies and local governments within jurisdiction in Wake County and are charged to coordinate planning and implementation aspects of the Wake County Transit Plan. TPAC was created upon adoption of the Wake County Transit Plan and an associated Interlocal Governance Agreement (ILA) by the NC Capital Areas Metropolitan Planning Organization (CAMPO) Executive Board, the GoTriangle Board of Trustees, and the Wake County Board of Commissioners. Under the ILA, CAMPO and GoTriangle are responsible for ongoing technical and financial decisions related to plan implementation. The City was reimbursed \$2,483,642 in interlocal funding from GoTriangle for fiscal year 2018 transit operating services and capital project deliverables the City accomplished as part of the Wake County Transit Plan.

Joint venture

The Greater Raleigh Convention and Visitors Bureau. The Greater Raleigh Convention and Visitors Bureau promotes and solicits business, conventions, meeting and tourism in Wake County. The bureau receives its primary revenue from a county-wide 6.00% occupancy tax and is a joint venture of the City of Raleigh and Wake County. The governing body of the bureau is a board of directors appointed by the Raleigh City Council and the Wake County Commissioners. The County is required to distribute monthly a percentage of the tax collected with a minimum aggregate annual distribution of \$1,000,000. If tax revenues are not sufficient to fully fund the bureau's minimum annual distributions, the City and County must fund the deficiency equally to ensure that the bureau receives its minimum distribution of \$1,000,000 in any fiscal year. There was no additional funding required of the City or County in the year ended June 30, 2018. Except for an investment in capital assets previously recorded by the City, the only equity in the fund at year-end is for encumbrances which will be expensed in the subsequent year. Based on this, no additional equity interest in the bureau is recorded at June 30, 2018. Full financial statements for the bureau can be obtained at the Greater Raleigh Convention and Visitors Bureau, Post Office Box 1879, Raleigh, North Carolina 27602. The bureau does not meet the criteria to be included in the City's financial reporting entity.

D. Employee retirement systems and pension plans

North Carolina Local Government Employees' Retirement System

Plan Description. The City of Raleigh is a participating employer in the statewide Local Government Employees' Retirement System (LERS); a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Government Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Services Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454 or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City of Raleigh employees are required to contribute 6.00% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City of Raleigh's contractually required contribution rate for the year ended June 30, 2018, was 8.25% of compensation for law enforcement officers and 7.50% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City of Raleigh were \$18,460,693 for the year ended June 30, 2018.

Refunds of Contributions. City employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4.00% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2018, the City reported a liability of \$56,679,440 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2017, the City's proportion was 3.71%, which was a decrease of 0.11% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the City recognized pension expense of \$18,465,818. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,265,261	\$ 1,604,415
Changes in assumptions	8,094,609	-
Net difference between projected and actual earnings on pension plan investments	13,761,837	-
Changes in proportion and differences between City contributions and proportionate share of contributions	-	1,838,947
City contributions subsequent to the measurement date	18,460,693	-
Total	<u>\$ 43,582,400</u>	<u>\$ 3,443,362</u>

* Note: The Government-Wide Statement of Net Position on pg. 1 illustrates the final LGERS activity as reflected above. There are fluctuations in deferred outflows of resources and deferred inflows of resources year to year. Based on how the City allocates the change in this activity at a fund level, adjustments were made to the Proprietary Funds Statement of Net Position for presentation purposes to adjust for the accounting nature of ending balances at the fund level. Adjustments at the fund level between the two classifications were deemed immaterial.

City contributions subsequent to the measurement date of \$18,460,693 reported as deferred outflows of resources related to pensions will be recognized as an increase of the net pension asset in the year ended June 30, 2019.

Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Pension deferrals
2019	\$ 2,292,686
2020	15,932,999
2021	7,881,453
2022	(4,428,793)
2023	-
Thereafter	-
	<u>\$ 21,678,345</u>

Actuarial Assumptions. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Assumption Type	Parameter
Inflation	3.00 percent
Salary increases	3.50 to 8.10 percent inflating and productivity factor
Investment rate of return	7.20 percent, net of pension plan investment expense

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29.00%	1.4%
Global equity	42.00%	5.3%
Real estate	8.00%	4.3%
Alternatives	8.00%	8.9%
Credit	7.00%	6.0%
Inflation protection	6.00%	4.0%
	100.0%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount Rate. The discount rate used to measure the total pension liability was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Asset to Changes in the Discount Rate. The following presents the City's proportionate share of the net pension asset calculated using the discount rate of 7.20 percent, as well as what the City's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.20 percent) or one percentage point higher (8.20 percent) than the current rate:

	1 % Decrease (6.20%)	Discount Rate (7.20%)	1 % Increase (8.20%)
City's proportionate share of the net pension liability (asset)	\$ 170,152,961	\$ 56,679,440	\$ (38,035,127)

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

Law Enforcement Supplemental Plans

Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The City contributes to the Supplemental Retirement Income Plan (Plan), a section 401(k) defined contribution pension plan administered by the Department of State Treasurer and a board of trustees. The plan provides retirement benefits to law enforcement officers employed by the City. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

Funding Policy. Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to five percent of each officers' salary, and all amounts collected are vested immediately. Also, law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2018 were \$4,335,640 which consisted of \$2,496,903 from the City and \$1,838,737 from the law enforcement officers.

Law Enforcement Officers' Special Separation Allowance

Plan Description. The City administers a public employee retirement system (the "separation allowance"); a single-employer defined benefit pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed 5 or more years of creditable service immediately prior to retirement. The separation allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time City law enforcement officers are covered by the separation allowance. At December 31, 2016, the separation allowance's membership consisted of:

Retirees currently receiving benefits	149
Active plan members	728
Total membership	877

Summary of significant accounting policies:

Basis of Accounting. The City has chosen to fund the Separation Allowance based on the annual required contribution (ARC) provided by the City's actuary. Pension expenditures are made in a separate fund which is combined with the General Fund for reporting purposes and maintained on the modified accrual basis of accounting. Benefits are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statement 73:

- Contributions to the pension plan and earnings on those contributions are irrevocable
- Pension plan assets are dedicated to providing benefits to plan members
- Pension plan assets are legally protected from the creditors or employers

Actuarial assumptions:

The entry age actuarial cost method was used in the December 31, 2016 valuation. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

<u>Assumption Type</u>	<u>Parameter</u>
Inflation	2.50%
Salary increases, including wage inflation and productivity factor	3.50% - 7.35%
Discount Rate	3.16%

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2017.

Mortality rates are based on the RP-2014 Mortality tables with adjustments for mortality improvements based on Scale AA.

Contributions:

The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned by making contributions based on actuarial valuations. For the current year, the City contributed \$3,432,000 or 7.40% of annual covered payroll. There were no contributions made by employees. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administrative costs of the Separation Allowance plan are financed through investment earnings. The City paid \$3,631,048 as benefits came due for the reporting period.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the City reported a total pension liability of \$45,440,181. The total pension liability was measured as of December 31, 2017 based on a December 31, 2016 actuarial valuation. The total pension liability was rolled forward to December 31, 2017 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2018, the City recognized pension expense of \$3,410,753.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,683,322	\$ -
Changes of assumptions	1,925,530	614,422
Benefit payments and administrative expenses subsequent to the measurement date	2,151,307	-
Total	<u>\$ 5,760,159</u>	<u>\$ 614,422</u>

The \$2,143,293 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2019.

Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Pension deferrals
2019	\$ 622,416
2020	622,416
2021	622,416
2022	656,462
2023	470,720
Thereafter	-
	<u>\$ 2,994,430</u>

Sensitivity of the County's total pension liability to changes in the discount rate. The following presents the City's total pension liability calculated using the discount rate of 3.16 percent, as well as what the City's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.16 percent) or 1-percentage-point higher (4.16 percent) than the current rate:

	1% Decrease 2.16%	Discount Rate 3.16%	1% Increase 4.16%
Total Pension Liability	<u>\$ 48,938,479</u>	<u>\$ 45,440,181</u>	<u>\$ 42,221,759</u>

Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance

Beginning Balance	\$ 41,779,030
Service Cost	1,230,644
Interest on the total pension liability	1,544,969
Difference between expected and actual experience	2,049,262
Change in assumptions and other inputs	2,344,123
Benefit payments	(3,507,847)
Ending balance of pension liability	<u>\$ 45,440,181</u>

The plan currently uses mortality tables that vary by age, and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Other Post-Employment Benefits (OPEB) Plan

Plan Description

Plan Administration. The City administers a single employer defined benefit pension plan under the City of Raleigh, North Carolina OPEB Trust ("OPEB Benefit Plan"), that provides health insurance, life insurance, and Medicare supplement benefits to eligible retirees. Employees who meet any of the retirement options available through NCLGERS and retire with 15 or more years of service may continue in the City's group health plan until age 65 when employee becomes eligible for Medicare. Medicare eligible retirees receive a Medicare supplement of \$100 per month. Dependent health coverage is available until age 65 when spouse becomes eligible for Medicare.

Plan membership. All active full-time employees are eligible for membership. At June 30, 2016, the OPEB Benefit Plan membership consisted of:

OPEB Plan Membership

Inactive plan members or beneficiaries currently receiving benefit payments	1,660
Inactive plan members entitled to by not yet receiving benefit payments	-
Active plan members	3,812
Total membership	<u>5,472</u>

Benefits provided. The City maintains two health care coverage options – Plan A and Plan B – that offer different levels of Plan premiums, copays, and deductibles so employees and retirees may elect the enrollment option best for their needs.

The City's group medical coverage continues with the option of limited or zero cost to the retiree, depending on coverage plan selected, until age 65 for retirees that were hired prior to June 30, 2008.

Retirees that were hired on or after June 30, 2008 will pay a maximum of 50.00% of the premium cost if they retired with 15 years of service until age 65. The percentage of premium contribution decreases by 5.00% for each additional year of service at retirement, with retirees that have 25 years of service at retirement able to continue coverage at limited or no cost.

For employees hired before July 1, 2007, spouse / dependent coverage for retirees is provided at the same cost as active members. Employees hired on or after July 1, 2007 will have to pay the entire cost for spouse / dependent coverage as a retiree.

Eligible retirees with a minimum of ten years of service are provided life insurance coverage as follows: for the first five years after retirement coverage is \$1,750; after five years of retirement coverage reduces to \$1,000. Disabled retirees receive life insurance equal to their salary at the time of disability until age 65. The City Council may amend the benefit provisions at any time. A separate stand-alone report for the OPEB Benefit Plan is not issued.

Contributions. The City pays the full cost or almost full cost of coverage, depending on coverage plan selected, for health care and life insurance benefits, and a \$100 monthly Medicare supplement for eligible retirees. The City has chosen to fund the plan benefits based on an actuarially determined annual recommended contribution. The actuarial funding calculation applies the Projected Unit Credit cost method and Level Percent of Pay amortization method. A funding recommendation is made to City Council, who evaluates this figure amongst other funding needs throughout the City when adopting the City's annual budget. For the current year the City contributed \$16,539,000 or 9.08% of the annual covered payroll. Contributions made by retirees for dependent coverage and Medicare supplement premiums were \$2,709,311. The OPEB Benefit Plan is accounted for as a trust fund.

Basis of Accounting. Financial statements for the OPEB Benefit Plan are prepared using the accrual basis of accounting. Employer contributions are recognized when due and when the City has made a formal commitment to provide contributions. Benefits are recognized when due and payable in accordance with the plan terms.

Investments

Investment policy. The OPEB Benefit Plan's investment policy in regard to the allocation of invested assets is established and may be amended by the City's Treasury Office as given legal rights by City Council. The primary emphasis of the policy is on moderate capital growth with some focus on income, and pursuing an investment strategy that reduces risk through prudent diversification of the portfolio across a broad selection of distinct asset classes. The investment policy aims to refrain from dramatically shifting asset class allocations over short time spans. The portfolio is rebalanced, at a minimum, on a quarterly basis.

The following was the asset allocation ranges for each major asset class and other investment restrictions as of June 30, 2018 under the OPEB Benefit Plan's investment policy:

Asset Class	Minimum Allocation	Maximum Allocation	Target Allocation
Total Equity	20.00%	65.00%	38.00%
U.S. Equity - Large Cap	0.00%	65.00%	14.00%
U.S. Equity - Mid Cap	0.00%	40.00%	3.00%
U.S. Equity - Small Cap	0.00%	20.00%	3.00%
International Developed Countries	0.00%	40.00%	14.00%
Emerging Markets	0.00%	15.00%	4.00%
U.S. Core Bonds	20.00%	80.00%	30.00%
High Yield Bonds	0.00%	5.00%	4.00%
International Bonds	0.00%	10.00%	3.00%
Alternative Investments	0.00%	20.00%	20.00%
Cash and Cash Equivalents	5.00%	60.00%	5.00%
			<u>100.00%</u>
Maximum allowable allocation to illiquid securities:		10.00%	
Long-term expected real rate of return		7.00%	
<u>Bond Restrictions</u>			
Bond quality rated:		BBB or better	
Maximum avg. bond maturity:		10 years	
Maximum individual bond maturity:		30 years	
Maximum fund portion:		40.00%	
Maximum security portion:		5.00%	except governmental
<u>Equity Restrictions</u>			
Maximum fund portion:		15.00%	
Maximum security portion:		1.50%	

Rate of return. For the year ended June 30, 2018, the annual money weighted rate of return on investments, net of investment expense was 7.00%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability of the City

The components of the net OPEB liability of the City at June 30, 2018 were as follows:

Total OPEB liability	\$ 230,591,364
Plan fiduciary net position	37,644,526
Net OPEB liability	<u>\$ 192,946,838</u>
Plan fiduciary net position as a percentage of the total OPEB liability	16.33%

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases, including inflation and productivity factors	
General employees	3.50% - 7.75%
Firefighters	3.50% - 7.75%
Law enforcement officers	3.50% - 7.35%
Long-term investment rate of return, net of OPEB plan investment expense, including inflation	7.00%
Healthcare cost trend rates*	7.75% for 2016
*decreasing to an ultimate rate of 5.00% by 2022	

Mortality rates were based on the RP-2014 Healthy Annuitant base mortality tables, with adjustments for LGERS experiences and generational mortality improvements using scale MP-2015. For general employees, rates are adjusted by 115.00% (male) and 79.00% (female) for ages under 78 and by 135.00% (male) and 116.00% (female) for age 78 and older. For law enforcement officers, rates are adjusted by 104.00% for males and 100.00% for females.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2016 valuation were based on the results of the biennial actuarial experience study for the period January 1, 2010 – December 31, 2014. The remaining actuarial assumptions were based upon a review of recent plan experience and done concurrently with the June 30, 2016 valuation.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the major target asset allocation percentage and by adding expected inflation. The Plan Actuary reviewed all information provided for the OPEB investment portfolio and agreed that the long-term expected rate of return of 7.00% is reasonable.

Discount rate (SEIR). The discount rate used to measure the total OPEB liability at June 30, 2018 was 7.00%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 74. The projection's basis was an actuarial valuation performed as of June 30, 2016. In addition to the actuarial methods and assumptions of the June 30, 2016 valuation, the following actuarial methods and assumptions were used in the projection of cash flows:

- Total payroll for the initial projection year consists of the payroll of the active membership present on the valuation date. In subsequent projection years, total payroll was assumed to increase annually at a rate of 3.50%
- Active employees do not explicitly contribute to the Plan
- In all years, the employer is assumed to contribute the full Actuarially Determined Contributions (ADC) to the Trust fund.
- Projected assets do not include employer contributions that fund the estimated services costs of future employees
- Cashflows occur mid-year

Based on these assumptions, the Plan's fiduciary net position was projected to not be depleted.

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability of the City at June 30, 2018, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current discount rate:

	1% Decrease 6.00%	Discount Rate 7.00%	1% Increase 8.00%
Net OPEB Liability	<u>\$ 214,268,450</u>	<u>\$ 192,946,838</u>	<u>\$ 174,074,483</u>

Sensitivity of the net OPEB liability to changes in healthcare cost trend rates. The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were to calculate healthcare cost trend rates that are 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current healthcare cost trend rate:

	1% Decrease 6.75%	Healthcare Cost Trend Rate 7.75%	1% Increase 8.75%
Net OPEB Liability	<u>\$ 167,522,981</u>	<u>\$ 192,946,838</u>	<u>\$ 222,780,289</u>

Changes in Net OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. At June 30, 2018, the City reported a net OPEB liability of \$192,946,838. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing updated procedures incorporating the actuarial assumptions.

At June 30, 2018, the components of the City's net OPEB liability, measured as of June 30, 2018, were as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2017	\$ 288,423,704	\$ 31,801,081	\$ 256,622,623
Changes for the year:			
Service cost	9,927,166	-	9,927,166
Interest	11,950,667	-	11,950,667
Differences between: Expected and actual experience	(548,349)	-	(548,349)
Changes of assumptions	(65,887,310)	-	(65,887,310)
Contributions - employer	-	16,539,000	(16,539,000)
Net investment income	-	2,651,455	(2,651,455)
Benefit payments	(13,274,514)	(13,274,514)	-
Plan administrative expenses	-	(72,496)	72,496
Net changes	(57,832,340)	5,843,445	(63,675,785)
Balances at June 30, 2018	\$ 230,591,364	\$ 37,644,526	\$ 192,946,838

Changes of assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the June 30, 2016 actuarial valuation, the actuarial assumptions included a 7.00% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date. The rate included an inflation assumption which decreased from 3.00% to 2.50% in June 30, 2018 measurement. Change of assumptions and other inputs also reflected a change in the discount (SEIR) rate from 4.24 to 7.00% driven by changes in the Municipal Bond Index Rate from 3.56% on the prior measurement to 3.89% respectively at June 30, 2018. Medical claims cost and rates were changed based on most recent experience and change to the current schedule.

Other required supplementary information is included in the required supplementary financial data.

For the year ended June 30, 2018, the City recognized OPEB expense of \$10,669,540. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between:		
Expected and actual experience	\$ -	\$ 475,040
Changes of assumptions	-	57,078,846
Difference between projected and actual earnings on plan investments, net	-	252,439
Total	\$ -	\$ 57,806,325

There were no City contributions subsequent to the measurement date for consideration.

Amounts reported as deferred inflows of resources will be recognized in OPEB expense as follows:

Year ended June 30:	
2019	\$ (8,944,883)
2020	(8,944,883)
2021	(8,944,883)
2022	(8,944,882)
2023	(8,881,773)
Thereafter	(13,145,021)
	<u>\$ (57,806,325)</u>

Supplemental Retirement Plan – Section 401a

Plan Description. The City contributes to a Section 401a Money Purchase Pension Plan for the purpose of providing supplemental retirement benefits to general employees. This plan is a defined contribution plan and is reported as a pension trust fund. The City is a trustee of all plan resources. The plan is managed by the City and administered by Branch Banking and Trust Company with investment options being exercised by employees.

Funding Policy. For each eligible employee who contributes a minimum of 1.50% of salary to a Section 457 Supplemental Retirement Plan, the City contributes double this percentage (to a maximum of 3.00%) into the 401a plan. During fiscal year 2017-18, the City contributed \$4,518,338 to the plan.

The 2017-18 combining financial statements for the City's pension trust funds are as follows:

COMBINING STATEMENT OF NET POSITION

	Supplemental Money Purchase Pension Plan	Other Post Employment Benefits Trust	Total
ASSETS			
Cash and cash equivalents	\$ 65,299,620	\$ 38,398,530	\$ 103,698,150
Accrued interest receivable	-	8,920	8,920
Due from other funds	-	174,858	174,858
Other receivables	-	141,149	141,149
Total assets	65,299,620	38,723,457	104,023,077
LIABILITIES			
Claims payable	-	1,066,000	1,066,000
Accounts payable	-	12,931	12,931
Total liabilities	-	1,078,931	1,078,931
NET POSITION			
Restricted for pensions	65,299,620	-	65,299,620
Restricted for postemployment benefits other than pensions	-	37,644,526	37,644,526
Total net position	<u>\$ 65,299,620</u>	<u>\$ 37,644,526</u>	<u>\$ 102,944,146</u>

COMBINING STATEMENT OF CHANGES IN NET POSITION

	Supplemental Money Purchase Pension Plan	Other Post Employment Benefits Trust	Total
ADDITIONS			
Employer contributions	\$ 4,518,338	\$ 16,539,000	\$ 21,057,338
Retiree contributions	-	2,709,311	2,709,311
Interest	2,231,466	1,476,085	3,707,551
Gain (loss) on investments	-	3,118,245	3,118,245
Net increase (decrease) in the fair value of investments	3,571,156	(1,942,875)	1,628,281
Recovery of claims	-	437,693	437,693
Total additions	<u>10,320,960</u>	<u>22,337,459</u>	<u>32,658,419</u>
DEDUCTIONS			
Benefits	3,451,201	16,421,518	19,872,719
Withdrawals and forfeitures	522,458	-	522,458
Investment expense	102,656	-	102,656
Professional services	-	72,496	72,496
Total deductions	<u>4,076,315</u>	<u>16,494,014</u>	<u>20,570,329</u>
Change in net position restricted for employees' retirement and other post-employment benefits	6,244,645	5,843,445	12,088,090
Net position, beginning of year	<u>59,054,975</u>	<u>31,801,081</u>	<u>90,856,056</u>
Net position, end of year	<u>\$ 65,299,620</u>	<u>\$ 37,644,526</u>	<u>\$ 102,944,146</u>

At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>LGERS</u>	<u>LEOSSA</u>	<u>OPEB</u>	<u>Total</u>
<u>Deferred Outflows of Resources</u>				
Differences between expected and actual experience	\$ 3,265,261	\$ 1,683,322	\$ -	\$ 4,948,583
Changes of assumptions	8,094,609	1,925,530	-	10,020,139
Net difference between projected and actual earnings on pension plan investments	13,761,837	-	-	13,761,837
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-	-	-
City contributions (LGERS)/benefit payments and administration costs (LEOSSA, OPEB) subsequent to the measurement date	18,460,693	2,151,307	-	20,612,000
<u>Deferred Inflows of Resources</u>				
Differences between expected and actual experience	\$ 1,604,415	\$ -	\$ 475,040	\$ 2,079,455
Changes of assumptions	-	614,422	57,078,846	57,693,268
Difference between projected and actual earnings on plan investments, net	-	-	252,439	252,439
Changes in proportion and differences between City contributions and proportionate share of contributions	1,838,947	-	-	1,838,947

E. New pronouncements

The GASB has issued pronouncements which are effective as of the fiscal year ended June 30, 2018.

GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions." This Statement replaces the requirements of Statement No. 45 and No. 57 related to OPEB plans. Statement No. 74 implemented last year established new financial reporting requirements for OPEB plans in advance of GASB Statement No. 75 that became effective for periods beginning after June 15, 2017. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. The Statement also identified methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Expanded note disclosures and required supplementary information requirements were also addressed. Management has determined that the impacts of this Statement did have a material effect on the City. See footnote on pg. 74 for restatement.

GASB Statement No. 81, "Irrevocable Split-Interest Agreements." This Statement is effective for periods beginning after December 15, 2016. Management has determined that the impacts of this Statement did not have a material effect on the City.

GASB Statement No. 85, "Omnibus." This Statement addressed practice issues that had been identified during implementation and application of certain prior GASB Statements. The Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. This Statement is effective for periods beginning after June 15, 2017. Management has determined that the impacts of this Statement did not have a material effect on the City, based on proper implementation of prior GASB Statements.

GASB Statement No. 86, "Certain Debt Extinguishments." This Statement is effective for periods beginning after June 15, 2017. Management has determined that the impacts of this Statement did not have a material effect on the City.

The GASB has issued pronouncements prior to June 30, 2018, which have an effective date that may impact future presentations. Management has not currently determined what impact the implementation of the below statements may have on the financial statements of the City.

GASB Statement No. 83, "Certain Asset Retirement Obligations." This Statement is effective for periods beginning after June 15, 2018.

GASB Statement No. 84, "Fiduciary Activities." This Statement is effective for periods beginning after December 15, 2018.

GASB Statement No. 87, "Leases." This Statement is effective for periods beginning after December 15, 2019.

GASB Statement No. 88, "Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements." This Statement is effective for periods beginning after June 15, 2018.

GASB Statement No. 89, "Accounting for Interest Cost Incurred before the End of a Construction Period." This Statement is effective for periods beginning after December 15, 2019.

GASB Statement No. 90, "Major Equity Interests – an Amendment of GASB Statements No. 14 and No. 61. This Statement is effective for periods beginning after December 15, 2018.

F. Subsequent events

The City has evaluated events through October 31, 2018 in connection with the preparation of these financial statements, which is the date the financials were available to be issued.

G. Change in accounting principles/restatement

The City implemented Governmental Accounting Standards Board (GASB) No. Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions," in the fiscal year ending June 30, 2018. The implementation of the statement required the City to record beginning net OPEB liability and the effects on net position of contributions paid by the City to the OPEB Trust during the measurement period, as well as the removal of the net OPEB obligation. As a result, net position for the governmental and business-type activities decreased by \$183,051,643 and \$68,368,686 respectively.

Required Supplementary Information

City of Raleigh
Schedule of Changes in the Net OPEB Liability and Related Ratios
June 30, 2018

Total OPEB Liability	2018	2017
Service Cost	\$ 9,927,166	\$ 10,561,625
Interest	11,950,667	10,767,810
Changes of benefits terms	-	-
Differences between expected and actual experience	(548,349)	-
Changes of assumptions	(65,887,310)	(14,718,276)
Benefit payments*	(13,274,514)	(13,737,352)
Net change in total OPEB liability	(57,832,340)	(7,126,193)
Total OPEB liability - beginning	288,423,704	295,549,897
Total OPEB liability - ending	<u>\$ 230,591,364</u>	<u>\$ 288,423,704</u>
 Plan fiduciary net position		
Contributions - employer	\$ 16,539,000	\$ 14,434,837
Net investment income	2,651,455	3,465,384
Benefit payments*	(13,274,514)	(13,737,352)
Administrative expense	(72,496)	(36,252)
Net change in plan fiduciary net position	5,843,445	4,126,617
Plan fiduciary net position - beginning	31,801,081	27,674,464
Plan fiduciary net position - ending	<u>\$ 37,644,526</u>	<u>\$ 31,801,081</u>
 City's net OPEB liability - ending	 <u>\$ 192,946,838</u>	 <u>\$ 256,622,623</u>
 Plan fiduciary net position as a percentage of the total OPEB liability	 16.33%	 11.03%
Covered payroll	\$ 182,145,153	\$ 182,145,153
City's net OPEB liability as a percentage of covered payroll	105.93%	140.89%

*Benefit payments are net of participant contributions

Information is not required to be presented retroactively. Data for years prior to that presented is unavailable.

City of Raleigh's Contributions
Schedule of Employer Contributions - OPEB Benefits Plan
June 30, 2018

	2018	2017	2016
Actuarially determined contribution	\$ 16,322,792	\$ 16,538,686	\$ 14,084,837
Contributions in relation to the actuarially determined contribution	16,539,000	14,434,837	13,949,558
Contribution deficiency (excess)	<u>\$ (216,208)</u>	<u>\$ 2,103,849</u>	<u>\$ 135,279</u>
Covered payroll	\$ 182,145,153	\$ 182,145,153	\$ 182,145,153
Contributions as a percentage of covered payroll	9.08%	7.92%	7.66%

Notes to schedule

Valuation Date: 6/30/2017

Actuarially determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Projected unit credit
Amortization method	Level percentage of pay
Amortization period	23 years, closed
Asset valuation method	Market value of assets
Inflation	2.50% in 2018, 3.00% prior years
Healthcare cost trend rates	7.75% for 2016 decreasing to an ultimate rate of 5.00% by 2022
Salary increases	
General Employees	3.50% - 7.75%
Firefighters	3.50% - 7.75%
Law Enforcement Officers	3.50% - 7.35%
Investment rate of return	7.00%

Retirement age:

In the 2017 actuarial valuation and forward, assumed life expectancies were adjusted as a result of adopting the RP-2014 Healthy Annuitant Mortality Table

In prior years, those assumptions were based on the 1994 Group Annuity Mortality table.

Mortality:

In the 2017 actuarial valuation and forward, assumed life expectancies were adjusted as a result of adopting the RP-2014 Healthy Annuitant Mortality Table

In prior years, those assumptions were based on the 1994 Group Annuity Mortality table.

Information is not required to be presented retroactively. Data for years prior to that presented is unavailable.

City of Raleigh
Schedule of Investment Returns - OPEB Benefits Plan
For the Year Ended June 30, 2018

	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	6.85%	10.78%

Information is not required to be presented retroactively. Data for years prior to that presented is unavailable.

City of Raleigh's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Five Fiscal Years *

Local Government Employees' Retirement System

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Raleigh's proportion of the net pension liability (asset) (%)	3.71003%	3.82340%	3.75642%	3.72410%	3.72410%
Raleigh's proportion of the net pension liability (asset) (\$)	\$ 56,679,440	\$ 81,145,356	\$ 16,858,648	\$ (21,863,612)	\$ 44,889,706
Raleigh's covered-employee payroll	\$ 240,754,795	\$ 230,212,405	\$ 210,212,491	\$ 202,649,654	\$ 194,516,160
Raleigh's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	23.54%	35.25%	8.02%	(10.79%)	23.08%
Plan fiduciary net position as a percentage of the total pension liability**	94.18%	91.47%	98.09%	102.64%	94.35%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

** This will be the same percentage for all participant employers in the LGERS plan.

**City of Raleigh's Contributions
Required Supplementary Information
Last Five Fiscal Years**

Local Government Employees' Retirement System

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 18,460,693	\$ 17,046,989	\$ 14,237,418	\$ 14,479,623	\$ 13,845,270
Contributions in relation to the contractually required contribution	18,460,693	17,046,989	14,237,418	14,479,623	13,845,270
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Raleigh's covered-employee payroll	\$ 240,754,795	\$ 230,212,405	\$ 210,212,491	\$ 202,649,654	\$ 194,516,160
Contributions as a percentage of covered-employee payroll	7.67%	7.40%	6.77%	7.15%	7.12%

City of Raleigh
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
Last Two Fiscal Years *

	2018	2017
Beginning Balance	\$ 41,779,030	\$ 43,129,788
Service Cost	1,230,644	1,367,308
Interest on the total pension liability	1,544,969	1,481,526
Difference between expected and actual experience	2,049,262	-
Change in assumptions and other inputs	2,344,123	(938,656)
Benefit payments	(3,507,847)	(3,260,936)
Ending balance of pension liability	<u>\$ 45,440,181</u>	<u>\$ 41,779,030</u>

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending December 31.

City of Raleigh
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
Last Two Fiscal Years

	2018		2017
Total pension liability	\$ 45,440,181	\$	41,779,030
Covered payroll	46,317,598		48,708,066
Total pension liability as a percentage of covered payroll	98.11%		85.77%

Notes to the schedules:

The City of Raleigh has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

Combining and Individual Financial Statements and Schedules

The **Combining and Individual Financial Statements and Schedules** reflect the detail level of presentation behind the basic financial statements.

Included are the following:

- Combining Statements - By Fund Type
- Individual Fund Schedules with Comparisons to Budget

Nonmajor Governmental Funds

The Nonmajor Governmental Funds statements include the combining balance sheet and combining statement of revenues, expenditures and changes in fund balance for nonmajor special revenue funds and nonmajor capital projects funds that comprise the other governmental funds column in the basic financial statements. The combining nonmajor special revenue funds statements and the combining nonmajor capital projects funds statements are detailed behind the special revenue funds and capital project funds summary pages that follow.

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2018

	Special Revenue Funds	Capital Project Funds	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 53,574,624	\$ 119,343,663	\$ 172,918,287
Assessments receivable, net of allowance for uncollectibles of \$133,031	-	529,800	529,800
Due from other funds	55,958	589,865	645,823
Due from other governmental agencies	10,100,946	495,276	10,596,222
Accrued interest receivable	202,774	419,435	622,209
Other receivables and assets	822	-	822
Sales tax receivable	122,387	812,546	934,933
Loans receivable, net of allowance for uncollectibles of \$5,398,053	61,820,086	-	61,820,086
Cash and cash equivalents/investments - restricted deposits and bond proceeds	11,196,747	73,846,081	85,042,828
Total assets	<u>\$ 137,074,344</u>	<u>\$ 196,036,666</u>	<u>\$ 333,111,010</u>
LIABILITIES			
Accounts payable	\$ 2,446,489	\$ 12,159,268	\$ 14,605,757
Accrued salaries and employee payroll taxes	66,938	852	67,790
Sales tax payable	-	3,608	3,608
Loan servicing escrow	258,165	-	258,165
Due to other funds	1,237,018	22,491	1,259,509
Reimbursable facility fees	-	6,003,021	6,003,021
Escrow and other deposits payable from restricted assets	-	3,489,806	3,489,806
Due to other governmental agencies	152,751	-	152,751
Total liabilities	<u>4,161,361</u>	<u>21,679,046</u>	<u>25,840,407</u>
DEFERRED INFLOWS OF RESOURCES			
Unearned revenue	1,108,394	2,134,911	3,243,305
Assessments receivable	-	529,800	529,800
Prepaid assessments	-	6,653	6,653
Total deferred inflows of resources	<u>1,108,394</u>	<u>2,671,364</u>	<u>3,779,758</u>
FUND BALANCES			
Restricted:			
Debt service	45,992,408	-	45,992,408
Public safety	500,768	-	500,768
Assigned:			
Subsequent year's appropriation	9,808,490	113,505,767	123,314,257
City projects	-	58,180,489	58,180,489
Community development	72,955,290	-	72,955,290
Disaster recovery	2,547,633	-	2,547,633
Total fund balances	<u>131,804,589</u>	<u>171,686,256</u>	<u>303,490,845</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 137,074,344</u>	<u>\$ 196,036,666</u>	<u>\$ 333,111,010</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2018**

	Special Revenue Funds	Capital Projects Funds	Combining Eliminations	Total Nonmajor Governmental Funds
REVENUES				
Intergovernmental	\$ 40,042,551	\$ 20,349,668	\$ -	\$ 60,392,219
Project revenue (non-grant)	-	2,092,482	-	2,092,482
Non-governmental	127,673	-	-	127,673
Assessments	-	1,349,409	-	1,349,409
Gain (loss) on investments	436,018	1,647,896	-	2,083,914
Facility fees	-	9,626,671	-	9,626,671
Other fees and charges	-	284,509	-	284,509
Rents	95,660	299,865	-	395,525
Program income	1,309,369	-	-	1,309,369
Donations and contributions	-	2,090,645	-	2,090,645
Miscellaneous other	222,434	28,022	-	250,456
Total revenues	<u>42,233,705</u>	<u>37,769,167</u>	<u>-</u>	<u>80,002,872</u>
EXPENDITURES				
Current:				
General government	693,672	2,070,874	-	2,764,546
Community development services	1,901,818	-	-	1,901,818
Public infrastructure	4,710,043	60,493,924	-	65,203,967
Public safety	3,700,163	6,585,067	-	10,285,230
Leisure services	1,341,818	13,934,208	-	15,276,026
Economic development programs	3,896,908	-	-	3,896,908
Total expenditures	<u>16,244,422</u>	<u>83,084,073</u>	<u>-</u>	<u>99,328,495</u>
Excess (deficiency) of revenues over (under) expenditures	<u>25,989,283</u>	<u>(45,314,906)</u>	<u>-</u>	<u>(19,325,623)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,039,404	29,788,457	(26,480)	30,801,381
Transfers out	(27,588,004)	(8,497,422)	26,480	(36,058,946)
Gain (loss) on sale of property	1,405,631	1,038,604	-	2,444,235
Total other financing sources and uses	<u>(25,142,969)</u>	<u>22,329,639</u>	<u>-</u>	<u>(2,813,330)</u>
Net change in fund balances	846,314	(22,985,267)	-	(22,138,953)
Fund balances, beginning of year	130,958,275	194,671,523	-	325,629,798
Fund balances, end of year	<u>\$ 131,804,589</u>	<u>\$ 171,686,256</u>	<u>\$ -</u>	<u>\$ 303,490,845</u>

Special Revenue Funds

The primary purpose of the **Special Revenue Funds** is to account for the proceeds of designated revenue sources that are restricted by law or administrative action for specific purposes. Revenue sources accounted for through the City's special revenue funds include various grant funds, housing bond funds, community development funds, a disaster recovery fund, a convention center financing fund, and an emergency telephone system fund.

Special Revenue Funds

Grants Fund (nonmajor fund)

The Grants Fund accounts for activities to which federal, state, and other aid is contributed, with the exception of capital projects, federal community development, and public transportation assistance. This fund centralizes all funding sources for these activities and provides for full budgetary accountability.

Housing Bond Fund (nonmajor fund)

The Housing Bond Fund accounts for City housing development programs which are financed by general obligation bond issues.

Community Development Fund (nonmajor fund)

The Community Development Fund accounts for United States Department of Housing and Urban Development (HUD) grant proceeds allocated to the City for community development programs.

Disaster Recovery Fund (nonmajor fund)

The Disaster Recovery Fund accounts for federal and state reimbursement for disaster recovery activities resulting from various natural disasters and the City's flood mitigation program.

Convention Center Financing Fund (nonmajor fund)

The Convention Center Financing Fund accounts for hotel and motel occupancy taxes collected by the County and remitted to the City per an interlocal agreement to fund the financing of the Convention Center.

Emergency Telephone System Fund (nonmajor fund)

The Emergency Telephone System Fund is used to account for 911 revenues received by the state 911 board to enhance the state's 911 system.

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2018

	Grants Fund	Housing Bond Fund	Community Development Fund
ASSETS			
Cash and cash equivalents	\$ -	\$ 11,017,304	\$ 627,654
Due from other funds	3,213	-	32,754
Due from other governmental agencies	2,975,049	-	276,993
Accrued interest receivable	-	-	-
Other receivables and assets	-	-	-
Sales tax receivable	30,899	573	361
Loans receivable, net of allowance of \$5,398,053	-	34,453,018	27,367,068
Cash and cash equivalents/investments - restricted deposits and bond proceeds	-	11,196,747	-
Total assets	<u>\$ 3,009,161</u>	<u>\$ 56,667,642</u>	<u>\$ 28,304,830</u>
LIABILITIES			
Accounts payable	\$ 990,335	\$ 1,270,930	\$ 155,462
Accrued salaries and employee payroll taxes	40,450	-	14,519
Loan servicing escrow	-	-	258,165
Due to other funds	1,194,352	-	32,495
Due to other governmental agencies	-	-	152,751
Total liabilities	<u>2,225,137</u>	<u>1,270,930</u>	<u>613,392</u>
DEFERRED INFLOWS OF RESOURCES			
Unearned revenue	784,024	-	324,370
Total deferred inflows of resources	<u>784,024</u>	<u>-</u>	<u>324,370</u>
FUND BALANCES			
Restricted:			
Debt service	-	-	-
Public safety	-	-	-
Assigned:			
Subsequent year's appropriation	-	9,808,490	-
Community development	-	45,588,222	27,367,068
Disaster recovery	-	-	-
Total fund balances	<u>-</u>	<u>55,396,712</u>	<u>27,367,068</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,009,161</u>	<u>\$ 56,667,642</u>	<u>\$ 28,304,830</u>

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2018

	Disaster Recovery Fund	Convention Center Financing Fund	Emergency Telephone System Fund	Total Nonmajor Special Revenue Funds
ASSETS				
Cash and cash equivalents	\$ 841,926	\$ 40,657,078	\$ 430,662	\$ 53,574,624
Due from other funds	19,991	-	-	55,958
Due from other governmental agencies	1,684,318	5,145,505	19,081	10,100,946
Accrued interest receivable	-	199,996	2,778	202,774
Other receivables and assets	-	-	822	822
Sales tax receivable	5,208	-	85,346	122,387
Loans receivable, net of allowance of \$5,398,053	-	-	-	61,820,086
Cash and cash equivalents/investments - restricted deposits and bond proceeds	-	-	-	11,196,747
Total assets	<u>\$ 2,551,443</u>	<u>\$ 46,002,579</u>	<u>\$ 538,689</u>	<u>\$ 137,074,344</u>
LIABILITIES				
Accounts payable	\$ 3,810	\$ -	\$ 25,952	\$ 2,446,489
Accrued salaries and employee payroll taxes	-	-	11,969	66,938
Loan servicing escrow	-	-	-	258,165
Due to other funds	-	10,171	-	1,237,018
Due to other governmental agencies	-	-	-	152,751
Total liabilities	<u>3,810</u>	<u>10,171</u>	<u>37,921</u>	<u>4,161,361</u>
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue	-	-	-	1,108,394
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,108,394</u>
FUND BALANCES				
Restricted:				
Debt service	-	45,992,408	-	45,992,408
Public safety	-	-	500,768	500,768
Assigned:				
Subsequent year's appropriation	-	-	-	9,808,490
Community development	-	-	-	72,955,290
Disaster recovery	2,547,633	-	-	2,547,633
Total fund balances	<u>2,547,633</u>	<u>45,992,408</u>	<u>500,768</u>	<u>131,804,589</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,551,443</u>	<u>\$ 46,002,579</u>	<u>\$ 538,689</u>	<u>\$ 137,074,344</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2018**

	Grants Fund	Housing Bond Fund	Community Development Fund
REVENUES			
Intergovernmental (including in-kind contributions of \$19,024)	\$ 5,900,773	\$ -	\$ 2,240,340
Non-governmental	127,673	-	-
Gain (loss) on investments	-	153,682	-
Rents	-	-	95,660
Program income	-	732,920	576,449
Miscellaneous other	-	100,750	121,684
Total revenues	<u>6,028,446</u>	<u>987,352</u>	<u>3,034,133</u>
EXPENDITURES			
Current:			
General government	16,001	-	-
Community development services	337,203	-	1,564,615
Public infrastructure	4,710,043	-	-
Public safety	1,507,942	-	-
Leisure services	241,818	-	-
Economic development programs	-	3,896,908	-
Total expenditures	<u>6,813,007</u>	<u>3,896,908</u>	<u>1,564,615</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(784,561)</u>	<u>(2,909,556)</u>	<u>1,469,518</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	806,818	-	232,586
Transfers out	(22,257)	(400,000)	(9,724)
Gain (loss) on sale of property	-	1,067,650	337,981
Total other financing sources and uses	<u>784,561</u>	<u>667,650</u>	<u>560,843</u>
Net change in fund balances	-	(2,241,906)	2,030,361
Fund balances, beginning of year	-	57,638,618	25,336,707
Fund balances, end of year	<u>\$ -</u>	<u>\$ 55,396,712</u>	<u>\$ 27,367,068</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2018**

	Disaster Recovery Fund	Convention Center Financing Fund	Emergency Telephone System Fund	Total Nonmajor Special Revenue Funds
REVENUES				
Intergovernmental (including in-kind contributions of \$19,024)	\$ 1,648,426	\$ 27,862,832	\$ 2,390,180	\$ 40,042,551
Non-governmental	-	-	-	127,673
Gain (loss) on investments	-	277,625	4,711	436,018
Rents	-	-	-	95,660
Program income	-	-	-	1,309,369
Miscellaneous other	-	-	-	222,434
Total revenues	<u>1,648,426</u>	<u>28,140,457</u>	<u>2,394,891</u>	<u>42,233,705</u>
EXPENDITURES				
Current:				
General government	677,671	-	-	693,672
Community development services	-	-	-	1,901,818
Public infrastructure	-	-	-	4,710,043
Public safety	-	-	2,192,221	3,700,163
Leisure services	-	1,100,000	-	1,341,818
Economic development programs	-	-	-	3,896,908
Total expenditures	<u>677,671</u>	<u>1,100,000</u>	<u>2,192,221</u>	<u>16,244,422</u>
Excess (deficiency) of revenues over (under) expenditures	<u>970,755</u>	<u>27,040,457</u>	<u>202,670</u>	<u>25,989,283</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	1,039,404
Transfers out	(3,350,000)	(23,806,023)	-	(27,588,004)
Gain (loss) on sale of property	-	-	-	1,405,631
Total other financing sources and uses	<u>(3,350,000)</u>	<u>(23,806,023)</u>	<u>-</u>	<u>(25,142,969)</u>
Net change in fund balances	(2,379,245)	3,234,434	202,670	846,314
Fund balances, beginning of year	<u>4,926,878</u>	<u>42,757,974</u>	<u>298,098</u>	<u>130,958,275</u>
Fund balances, end of year	<u>\$ 2,547,633</u>	<u>\$ 45,992,408</u>	<u>\$ 500,768</u>	<u>\$ 131,804,589</u>

SCHEDULE OF REVENUES AND EXPENDITURES COMPARED WITH BUDGET

GRANTS FUND

For the Fiscal Year Ended June 30, 2018

	Prior Years	Actual Current Year	Total	Budget	Over (Under) Budget
REVENUES					
Intergovernmental:					
U.S. Department of Transportation	\$ 9,594,605	\$ 4,264,279	\$ 13,858,884	\$ 18,297,181	\$ (4,438,297)
Corporation for National and Community Service (including in-kind contributions of \$19,024)	2,638,834	269,562	2,908,396	3,094,289	(185,893)
U.S. Department of Justice	(272,396)	486,112	213,716	1,566,747	(1,353,031)
U.S. Department of Homeland Security	380,971	591,657	972,628	1,606,295	(633,667)
U.S. Department of the Interior	(20,000)	16,000	(4,000)	5,000	(9,000)
Office of National Drug Control Policy	47,184	26,608	73,792	77,384	(3,592)
State of North Carolina	654,865	160,453	815,318	828,408	(13,090)
Wake County	218,610	86,102	304,712	337,565	(32,853)
	<u>13,242,673</u>	<u>5,900,773</u>	<u>19,143,446</u>	<u>25,812,869</u>	<u>(6,669,423)</u>
Non-governmental	96,383	127,673	224,056	274,792	(50,736)
Total revenues	<u>13,339,056</u>	<u>6,028,446</u>	<u>19,367,502</u>	<u>26,087,661</u>	<u>(6,720,159)</u>
OTHER FINANCING SOURCES					
Transfers from:					
General fund	1,107,997	491,328	1,599,325	1,513,465	85,860
Mass transit fund	283,022	315,490	598,512	605,238	(6,726)
Total other financing sources	<u>1,391,019</u>	<u>806,818</u>	<u>2,197,837</u>	<u>2,118,703</u>	<u>79,134</u>
Total revenues and other financing sources	<u>\$ 14,730,075</u>	<u>\$ 6,835,264</u>	<u>\$ 21,565,339</u>	<u>\$ 28,206,364</u>	<u>\$ (6,641,025)</u>
EXPENDITURES					
General government	\$ 83,298	\$ 16,001	\$ 99,299	\$ 115,344	\$ (16,045)
Community development services	2,705,114	337,203	3,042,317	3,210,603	(168,286)
Public infrastructure	9,880,883	4,710,043	14,590,926	18,757,283	(4,166,357)
Public safety	1,777,967	1,507,942	3,285,909	5,482,337	(2,196,428)
Leisure services	282,813	241,818	524,631	618,540	(93,909)
Total expenditures	<u>14,730,075</u>	<u>6,813,007</u>	<u>21,543,082</u>	<u>28,184,107</u>	<u>(6,641,025)</u>
OTHER FINANCING USES					
Transfers to:					
Transit operating fund	-	5,500	5,500	5,500	-
Miscellaneous capital projects fund	-	500	500	500	-
Street improvement fund	-	16,257	16,257	16,257	-
	<u>-</u>	<u>22,257</u>	<u>22,257</u>	<u>22,257</u>	<u>-</u>
Total other financing sources					
Total expenditures and other financing uses	<u>\$ 14,730,075</u>	<u>\$ 6,835,264</u>	<u>\$ 21,565,339</u>	<u>\$ 28,206,364</u>	<u>\$ (6,641,025)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
COMPARED WITH BUDGET
HOUSING BOND FUND
For the Fiscal Year Ended June 30, 2018**

	Prior Years	Actual Current Year	Total	Budget	Over (Under) Budget
REVENUES					
Gain (loss) on investments	\$ -	\$ 153,682	\$ 153,682	\$ -	\$ 153,682
Program income	13,086,482	4,339,535	17,426,017	-	17,426,017
Miscellaneous other	-	100,750	100,750	-	100,750
Total revenues	<u>13,086,482</u>	<u>4,593,967</u>	<u>17,680,449</u>	<u>-</u>	<u>17,680,449</u>
OTHER FINANCING SOURCES					
Transfers from:					
General fund	2,240,000	-	2,240,000	2,240,000	-
Bonds issued	49,442,137	-	49,442,137	49,442,137	-
Gain/(loss) on sale of property	2,532,628	1,067,650	3,600,278	-	3,600,278
Total other financing sources	<u>54,214,765</u>	<u>1,067,650</u>	<u>55,282,415</u>	<u>51,682,137</u>	<u>3,600,278</u>
Total revenues and other financing sources	<u>\$ 67,301,247</u>	<u>\$ 5,661,617</u>	<u>\$ 72,962,864</u>	51,682,137	<u>\$ 21,280,727</u>
Fund balance appropriated				11,235,000	
				<u>\$ 62,917,137</u>	
EXPENDITURES					
Economic development programs	<u>\$ 10,386,219</u>	<u>\$ 5,789,436</u>	<u>\$ 16,175,655</u>	<u>\$ 62,517,137</u>	<u>\$ (46,341,482)</u>
OTHER FINANCING USES					
Transfer to:					
General fund	<u>-</u>	<u>400,000</u>	<u>400,000</u>	<u>400,000</u>	<u>-</u>
Total expenditures and other financing uses	<u>\$ 10,386,219</u>	<u>\$ 6,189,436</u>	<u>\$ 16,575,655</u>	<u>\$ 62,917,137</u>	<u>\$ (46,341,482)</u>
Excess revenues and other financing sources over expenditures and other financing uses		(527,819)			
Reconciliation: Loan treatment under GAAP					
Principal payments on loans receivable		1,892,528			
Issuance of loans receivable		(3,606,615)			
Change in fund balance		<u>\$ (2,241,906)</u>			

**SCHEDULE OF REVENUES AND EXPENDITURES
COMPARED WITH BUDGET
COMMUNITY DEVELOPMENT FUND
For the Fiscal Year Ended June 30, 2018**

	Prior Years	Actual Current Year	Total	Budget	Over (Under) Budget
REVENUES					
Intergovernmental:					
US Department of HUD	\$ 51,398,255	\$ 2,240,340	\$ 53,638,595	\$ 39,238,894	\$ 14,399,701
Rents	1,472,368	95,660	1,568,028	1,228,863	339,165
Program income	11,077,693	993,627	12,071,320	9,014,257	3,057,063
Miscellaneous other	757,933	121,684	879,617	1,570,723	(691,106)
Total revenues	<u>64,706,249</u>	<u>3,451,311</u>	<u>68,157,560</u>	<u>51,052,737</u>	<u>17,104,823</u>
OTHER FINANCING SOURCES					
Transfers from:					
Housing development - operating	1,318,965	232,586	1,551,551	1,551,551	-
Proceeds from sale of property	<u>2,317,129</u>	<u>337,981</u>	<u>2,655,110</u>	<u>1,362,967</u>	<u>1,292,143</u>
Total other financing sources	<u>3,636,094</u>	<u>570,567</u>	<u>4,206,661</u>	<u>2,914,518</u>	<u>1,292,143</u>
Total revenues and other financing sources	<u>\$ 68,342,343</u>	<u>\$ 4,021,878</u>	<u>\$ 72,364,221</u>	<u>\$ 53,967,255</u>	<u>\$ 18,396,966</u>
EXPENDITURES					
Community development services	<u>\$ 42,977,125</u>	<u>\$ 3,218,954</u>	<u>\$ 46,196,079</u>	<u>\$ 53,929,020</u>	<u>\$ (7,732,941)</u>
OTHER FINANCING USES					
Transfer to:					
Technology capital projects fund	<u>28,511</u>	<u>7,290</u>	<u>35,801</u>	<u>38,235</u>	<u>(2,434)</u>
Total expenditures and other financing uses	<u>\$ 43,005,636</u>	<u>\$ 3,226,244</u>	<u>\$ 46,231,880</u>	<u>\$ 53,967,255</u>	<u>\$ (7,735,375)</u>
Excess revenues and other financing sources over expenditures and other financing uses		795,634			
Reconciliation: Loan treatment under GAAP					
Principal payments on loans receivable		(417,178)			
Issuance of loans receivable		1,651,905			
Change in fund balance		<u>\$ 2,030,361</u>			

**SCHEDULE OF REVENUES AND EXPENDITURES
COMPARED WITH BUDGET
DISASTER RECOVERY FUND
For the Fiscal Year Ended June 30, 2018**

	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES					
Intergovernmental:					
Federal Emergency Management Agency	\$ 6,618,763	\$ 1,648,426	\$ 8,267,189	\$ 9,616,529	\$ (1,349,340)
NC Department of Transportation	80,347	-	80,347	-	80,347
Total revenues	<u>6,699,110</u>	<u>1,648,426</u>	<u>8,347,536</u>	<u>9,616,529</u>	<u>(1,268,993)</u>
OTHER FINANCING SOURCES					
Transfers from:					
General Fund	<u>3,350,000</u>	<u>-</u>	<u>3,350,000</u>	<u>3,350,000</u>	<u>-</u>
Total revenues and other financing sources	<u>\$ 10,049,110</u>	<u>\$ 1,648,426</u>	<u>\$ 11,697,536</u>	<u>\$ 12,966,529</u>	<u>\$ (1,268,993)</u>
EXPENDITURES					
General government	<u>\$ 4,622,232</u>	<u>\$ 677,671</u>	<u>\$ 5,299,903</u>	<u>\$ 9,116,529</u>	<u>\$ (3,816,626)</u>
OTHER FINANCING USES					
Transfers to:					
General Fund	-	3,350,000	3,350,000	3,350,000	-
OPEB Trust Fund	<u>500,000</u>	<u>-</u>	<u>500,000</u>	<u>500,000</u>	<u>-</u>
	<u>500,000</u>	<u>3,350,000</u>	<u>3,850,000</u>	<u>3,850,000</u>	<u>-</u>
Total expenditures and other financing uses	<u>\$ 5,122,232</u>	<u>\$ 4,027,671</u>	<u>\$ 9,149,903</u>	<u>\$ 12,966,529</u>	<u>\$ (3,816,626)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
COMPARED WITH BUDGET
CONVENTION CENTER FINANCING FUND
For the Fiscal Year Ended June 30, 2018**

	<u>Actual</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES			
Intergovernmental:			
Wake County	\$ 27,862,832	\$ 28,303,846	\$ (441,014)
Gain (loss) on investments	277,625	1,287,500	(1,009,875)
Total revenues	<u>\$ 28,140,457</u>	<u>\$ 29,591,346</u>	<u>\$ (1,450,889)</u>
 EXPENDITURES			
Leisure services	<u>\$ 1,100,000</u>	<u>\$ 4,677,611</u>	<u>\$ (3,577,611)</u>
 OTHER FINANCING USES			
Transfers to:			
Convention center complex fund	23,806,023	24,913,735	(1,107,712)
Total other financing uses	<u>23,806,023</u>	<u>24,913,735</u>	<u>(1,107,712)</u>
 Total expenditures and other financing uses	<u>\$ 24,906,023</u>	<u>\$ 29,591,346</u>	<u>\$ (4,685,323)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
 COMPARED WITH BUDGET
 EMERGENCY TELEPHONE SYSTEM FUND
 For the Fiscal Year Ended June 30, 2018**

	<u>Actual</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES			
Intergovernmental:			
State of North Carolina	\$ 2,390,180	\$ 2,390,180	\$ -
Gain (loss) on investments	4,711	-	4,711
Total revenues	<u>\$ 2,394,891</u>	<u>2,390,180</u>	<u>\$ 4,711</u>
Fund balance appropriated		28,483	
		<u>\$ 2,418,663</u>	
EXPENDITURES			
Public safety:			
Telephone	\$ 1,207,816	\$ 1,288,392	\$ (80,576)
Software maintenance	391,811	484,198	(92,387)
Hardware maintenance	5,816	6,953	(1,137)
Training	20,321	24,960	(4,639)
Functions	566,457	614,160	(47,703)
Total expenditures	<u>\$ 2,192,221</u>	<u>\$ 2,418,663</u>	<u>\$ (226,442)</u>

General Capital Projects Funds

The purpose of the **General Capital Projects Funds** are to account for the financial resources segregated for the acquisition or construction of major general capital assets and facilities. The budgets within these funds are adopted for the life of the projects. Under the project accounting concept, project expenditures, and the revenues used to fund them, are accumulated until the year the project is completed. General projects accounted for within the general capital projects funds include street projects, park improvements, Raleigh Union Station, technology projects, major public facilities and other miscellaneous capital projects.

General Capital Projects Funds

Street Improvement Fund (nonmajor fund)

The Street Improvement Fund accounts for all street improvement programs to be financed from applicable street assessment proceeds and other non-bond street improvement resources.

Street Bond Fund (nonmajor fund)

The Street Bond Fund accounts for the street construction projects financed from the general obligation street bond issues.

Sidewalk Fund (nonmajor fund)

The Sidewalk Fund accounts for capital project costs for the construction of sidewalks within the City.

Park Improvement Fund (nonmajor fund)

The Park Improvement Fund accounts for transfers from the general fund and other revenues and allocations, and all project costs in the construction of park improvements as well as park land and greenway acquisition.

Raleigh Union Station Fund (nonmajor fund)

The Raleigh Union Station Fund accounts for capital project costs for construction of the Raleigh Union Station. This fund is financed by both federal monies from the Federal Railroad Administration as well as with state match and local funding.

Facility Fees Fund (nonmajor fund)

The Facility Fees Fund accounts for facility fees collected from developers to be expended for street and park capital purposes within designated zones in the City.

Park Bond Fund (nonmajor fund)

The Park Bond Fund accounts for all bond proceeds and capital project costs related to the construction of park improvements or park land acquisition.

Miscellaneous Capital Improvements Fund (nonmajor fund)

The Miscellaneous Capital Improvements Fund accounts for all capital improvement costs not applicable to other capital improvement programs. These improvements are financed from non-bond resources.

Walnut Creek Amphitheater Fund (nonmajor fund)

The Walnut Creek Amphitheater Fund accounts for capital projects costs of the Amphitheater financed by a portion of the Amphitheater rent.

Technology Capital Projects Fund (nonmajor fund)

The Technology Capital Projects Fund accounts for long-term technology projects as recommended by the City's technology governance process. These projects are financed partially from general fund resources.

Major Public Facilities Fund (nonmajor fund)

The Major Public Facilities Fund accounts for capital project costs for construction of new public facilities including remote operations centers for streets, parks, solid waste and public infrastructure. These projects are financed from certificates or participations debt issues.

COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
June 30, 2018

	Street Improvement Fund	Street Bond Fund	Sidewalk Fund	Park Improvement Fund	Raleigh Union Station Fund	Facility Fees Fund
ASSETS						
Cash and cash equivalents	\$ 24,725,589	\$ 1,960,470	\$ 5,630,670	\$ 19,285,959	\$ 3,561,090	\$ 9,656,172
Assessments receivable, net of allowance for uncollectibles of \$133,031	529,800	-	-	-	-	-
Due from other funds	-	-	-	-	290,000	-
Due from other governmental agencies	41,914	70,910	-	-	382,452	-
Accrued interest receivable	132,934	-	-	83,332	-	56,347
Sales tax receivable	76,330	92,162	4,327	57,889	286,722	-
Cash and cash equivalents/investments - restricted deposits and bond proceeds	3,151,010	26,233,520	263,087	-	190,483	-
Total assets	<u>\$ 28,657,577</u>	<u>\$ 28,357,062</u>	<u>\$ 5,898,084</u>	<u>\$ 19,427,180</u>	<u>\$ 4,710,747</u>	<u>\$ 9,712,519</u>
LIABILITIES						
Accounts payable	\$ 3,594,429	\$ 4,157,276	\$ 35,497	\$ 158,923	\$ 1,900,963	\$ -
Accrued salaries and employee payroll taxes	-	852	-	-	-	-
Sales tax payable	1,384	18	-	1,605	479	-
Due to other funds	-	-	2,500	19,991	-	-
Reimbursable facility fees	-	-	-	-	-	6,003,021
Escrow and other deposits payable from restricted assets	3,151,010	-	263,087	-	-	-
Total liabilities	<u>6,746,823</u>	<u>4,158,146</u>	<u>301,084</u>	<u>180,519</u>	<u>1,901,442</u>	<u>6,003,021</u>
DEFERRED INFLOWS OF RESOURCES						
Unearned revenue	97,851	-	-	8,392	2,028,668	-
Assessments receivable	529,800	-	-	-	-	-
Prepaid assessments	-	-	6,653	-	-	-
Total deferred inflows of resources	<u>627,651</u>	<u>-</u>	<u>6,653</u>	<u>8,392</u>	<u>2,028,668</u>	<u>-</u>
FUND BALANCES						
Assigned:						
Subsequent year's appropriation	15,290,839	24,198,916	5,590,347	7,363,638	-	-
City projects	5,992,264	-	-	11,874,631	780,637	3,709,498
Total fund balances	<u>21,283,103</u>	<u>24,198,916</u>	<u>5,590,347</u>	<u>19,238,269</u>	<u>780,637</u>	<u>3,709,498</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 28,657,577</u>	<u>\$ 28,357,062</u>	<u>\$ 5,898,084</u>	<u>\$ 19,427,180</u>	<u>\$ 4,710,747</u>	<u>\$ 9,712,519</u>

COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
June 30, 2018

	Park Bond Fund	Miscellaneous Capital Improvements Fund	Walnut Creek Amphitheater Projects Fund	Technology Capital Projects Fund	Major Public Facilities Fund	Total Nonmajor Capital Projects Funds
ASSETS						
Cash and cash equivalents	\$ 576,902	\$ 40,708,861	\$ 1,450,246	\$ 10,673,373	\$ 1,114,331	\$ 119,343,663
Assessments receivable, net of allowance for uncollectibles of \$133,031	-	-	-	-	-	529,800
Due from other funds	-	-	299,865	-	-	589,865
Due from other governmental agencies	-	-	-	-	-	495,276
Accrued interest receivable	-	99,998	-	46,824	-	419,435
Sales tax receivable	58,339	164,225	6,091	65,141	1,320	812,546
Cash and cash equivalents/investments - restricted deposits and bond proceeds	35,385,558	3,125,181	-	-	5,497,242	73,846,081
Total assets	<u>\$ 36,020,799</u>	<u>\$ 44,098,265</u>	<u>\$ 1,756,202</u>	<u>\$ 10,785,338</u>	<u>\$ 6,612,893</u>	<u>\$ 196,036,666</u>
LIABILITIES						
Accounts payable	\$ 1,883,719	\$ 263,982	\$ 61,264	\$ 94,961	\$ 8,254	\$ 12,159,268
Accrued salaries and employee payroll taxes	-	-	-	-	-	852
Sales tax payable	13	109	-	-	-	3,608
Due to other funds	-	-	-	-	-	22,491
Reimbursable facility fees	-	-	-	-	-	6,003,021
Escrow and other deposits payable from restricted assets	-	75,709	-	-	-	3,489,806
Total liabilities	<u>1,883,732</u>	<u>339,800</u>	<u>61,264</u>	<u>94,961</u>	<u>8,254</u>	<u>21,679,046</u>
DEFERRED INFLOWS OF RESOURCES						
Unearned revenue	-	-	-	-	-	2,134,911
Assessments receivable	-	-	-	-	-	529,800
Prepaid assessments	-	-	-	-	-	6,653
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,671,364</u>
FUND BALANCES						
Assigned:						
Subsequent year's appropriation	33,094,739	15,080,545	1,357,355	8,710,265	2,819,123	113,505,767
City projects	1,042,328	28,677,920	337,583	1,980,112	3,785,516	58,180,489
Total fund balances	<u>34,137,067</u>	<u>43,758,465</u>	<u>1,694,938</u>	<u>10,690,377</u>	<u>6,604,639</u>	<u>171,686,256</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 36,020,799</u>	<u>\$ 44,098,265</u>	<u>\$ 1,756,202</u>	<u>\$ 10,785,338</u>	<u>\$ 6,612,893</u>	<u>\$ 196,036,666</u>

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
For the Fiscal Year Ended June 30, 2018

	Street Improvement Fund	Street Bond Fund	Sidewalk Fund	Park Improvement Fund	Raleigh Union Station Fund	Facility Fees Fund
REVENUES						
Intergovernmental	\$ 503,299	\$ 1,308,502	\$ -	\$ -	\$ 17,972,427	\$ -
Project revenue (non-grant)	-	-	-	-	2,092,482	-
Assessments	777,234	-	325,301	246,874	-	-
Gain (loss) on investments	185,926	424,111	-	113,758	138,480	(56,432)
Facility fees	-	-	-	121,133	-	9,505,538
Other fees and charges	-	-	-	684	-	-
Rents	-	-	-	-	-	-
Donations and contributions	-	-	-	159,540	-	-
Miscellaneous other	-	-	-	28,022	-	-
Total revenues	<u>1,466,459</u>	<u>1,732,613</u>	<u>325,301</u>	<u>670,011</u>	<u>20,203,389</u>	<u>9,449,106</u>
EXPENDITURES						
Current:						
General government	-	-	-	-	-	-
Public infrastructure	14,664,395	17,786,990	188,344	-	25,953,252	-
Public safety	-	-	-	-	-	-
Leisure services	-	-	-	3,902,019	-	-
Total expenditures	<u>14,664,395</u>	<u>17,786,990</u>	<u>188,344</u>	<u>3,902,019</u>	<u>25,953,252</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(13,197,936)</u>	<u>(16,054,377)</u>	<u>136,957</u>	<u>(3,232,008)</u>	<u>(5,749,863)</u>	<u>9,449,106</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	11,881,257	336,000	643,000	5,905,000	1,270,000	-
Transfers out	(693,349)	-	-	-	-	(9,226,209)
Gain (loss) on sale of property	-	-	-	-	-	-
Total other financing sources and uses	<u>11,187,908</u>	<u>336,000</u>	<u>643,000</u>	<u>5,905,000</u>	<u>1,270,000</u>	<u>(9,226,209)</u>
Net change in fund balances	(2,010,028)	(15,718,377)	779,957	2,672,992	(4,479,863)	222,897
Fund balances, beginning of year	23,293,131	39,917,293	4,810,390	16,565,277	5,260,500	3,486,601
Fund balances, end of year	<u>\$ 21,283,103</u>	<u>\$ 24,198,916</u>	<u>\$ 5,590,347</u>	<u>\$ 19,238,269</u>	<u>\$ 780,637</u>	<u>\$ 3,709,498</u>

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
For the Fiscal Year Ended June 30, 2018

	Park Bond Fund	Miscellaneous Capital Improvements Fund	Walnut Creek Amphitheater Projects Fund	Technology Capital Projects Fund	Major Public Facilities Fund	Combining Eliminations	Total Nonmajor Capital Projects Funds
REVENUES							
Intergovernmental	\$ 565,440	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,349,668
Project revenue (non-grant)	-	-	-	-	-	-	2,092,482
Assessments	-	-	-	-	-	-	1,349,409
Gain (loss) on investments	479,630	228,954	-	66,690	66,779	-	1,647,896
Facility fees	-	-	-	-	-	-	9,626,671
Other fees and charges	-	81,671	202,154	-	-	-	284,509
Rents	-	-	299,865	-	-	-	299,865
Donations and contributions	1,931,105	-	-	-	-	-	2,090,645
Miscellaneous other	-	-	-	-	-	-	28,022
Total revenues	<u>2,976,175</u>	<u>310,625</u>	<u>502,019</u>	<u>66,690</u>	<u>66,779</u>	<u>-</u>	<u>37,769,167</u>
EXPENDITURES							
Current:							
General government	-	-	-	2,070,874	-	-	2,070,874
Public infrastructure	-	1,765,723	-	-	135,220	-	60,493,924
Public safety	-	6,430,094	-	-	154,973	-	6,585,067
Leisure services	9,775,015	-	257,174	-	-	-	13,934,208
Total expenditures	<u>9,775,015</u>	<u>8,195,817</u>	<u>257,174</u>	<u>2,070,874</u>	<u>290,193</u>	<u>-</u>	<u>83,084,073</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,798,840)</u>	<u>(7,885,192)</u>	<u>244,845</u>	<u>(2,004,184)</u>	<u>(223,414)</u>	<u>-</u>	<u>(45,314,906)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	70,200	8,238,000	-	6,231,000	-	(4,786,000)	29,788,457
Transfers out	-	(336,000)	-	(3,027,864)	-	4,786,000	(8,497,422)
Gain (loss) on sale of property	-	1,038,604	-	-	-	-	1,038,604
Total other financing sources and uses	<u>70,200</u>	<u>8,940,604</u>	<u>-</u>	<u>3,203,136</u>	<u>-</u>	<u>-</u>	<u>22,329,639</u>
Net change in fund balances	(6,728,640)	1,055,412	244,845	1,198,952	(223,414)	-	(22,985,267)
Fund balances, beginning of year	<u>40,865,707</u>	<u>42,703,053</u>	<u>1,450,093</u>	<u>9,491,425</u>	<u>6,828,053</u>	<u>-</u>	<u>194,671,523</u>
Fund balances, end of year	<u>\$ 34,137,067</u>	<u>\$ 43,758,465</u>	<u>\$ 1,694,938</u>	<u>\$ 10,690,377</u>	<u>\$ 6,604,639</u>	<u>\$ -</u>	<u>\$ 171,686,256</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
COMPARED WITH BUDGET
STREET IMPROVEMENT FUND
For the Fiscal Year Ended June 30, 2018**

	Prior Years	Actual Current Year	Total	Budget	Over (Under) Budget
REVENUES					
Intergovernmental:					
State of North Carolina	\$ 34,878,608	\$ 503,299	\$ 35,381,907	\$ 33,318,406	\$ 2,063,501
Developer participation	334,471	-	334,471	1,312,744	(978,273)
Assessments	9,588,343	777,234	10,365,577	7,717,106	2,648,471
Gain (loss) on investments	5,537,028	185,926	5,722,954	5,474,337	248,617
Miscellaneous other	5,992,540	-	5,992,540	7,198,176	(1,205,636)
Total revenues	<u>56,330,990</u>	<u>1,466,459</u>	<u>57,797,449</u>	<u>55,020,769</u>	<u>2,776,680</u>
OTHER FINANCING SOURCES					
Transfers from:					
General fund	71,431,098	8,365,000	79,796,098	79,796,098	-
Street bond fund	1,496,000	-	1,496,000	1,496,000	-
Sidewalk fund	1,419,173	-	1,419,173	1,419,173	-
Facility fees fund	22,510,386	3,500,000	26,010,386	26,010,386	-
Mass transit fund	2,299,211	16,257	2,315,468	2,315,468	-
Total other financing sources	<u>99,155,868</u>	<u>11,881,257</u>	<u>111,037,125</u>	<u>111,037,125</u>	<u>-</u>
Total revenues and other financing sources	<u>\$ 155,486,858</u>	<u>\$ 13,347,716</u>	<u>\$ 168,834,574</u>	166,057,894	<u>\$ 2,776,680</u>
Fund balance appropriated				6,098,839	
				<u>\$ 172,156,733</u>	
EXPENDITURES					
Public infrastructure	<u>\$ 121,543,465</u>	<u>\$ 14,664,395</u>	<u>\$ 136,207,860</u>	<u>\$ 160,813,122</u>	<u>\$ (24,605,262)</u>
OTHER FINANCING USES					
Transfers to:					
Grants fund	16,476	-	16,476	16,476	-
Mass transit fund	10,633,786	693,349	11,327,135	11,327,135	-
Total other financing uses	<u>10,650,262</u>	<u>693,349</u>	<u>11,343,611</u>	<u>11,343,611</u>	<u>-</u>
Total expenditures and other financing uses	<u>\$ 132,193,727</u>	<u>\$ 15,357,744</u>	<u>\$ 147,551,471</u>	<u>\$ 172,156,733</u>	<u>\$ (24,605,262)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
COMPARED WITH BUDGET
STREET BOND FUND
For the Fiscal Year Ended June 30, 2018**

	Prior Years	Actual Current Year	Total	Budget	Over (Under) Budget
REVENUES					
Intergovernmental:					
State of North Carolina	\$ 985,788	\$ 1,308,502	\$ 2,294,290	\$ 6,861,908	\$ (4,567,618)
Developer participation	2,027,831	-	2,027,831	2,027,831	-
Gain (loss) on investments	4,690,942	424,111	5,115,053	5,198,645	(83,592)
Total revenues	<u>7,704,561</u>	<u>1,732,613</u>	<u>9,437,174</u>	<u>14,088,384</u>	<u>(4,651,210)</u>
OTHER FINANCING SOURCES					
Transfers from:					
General fund	5,124,630	-	5,124,630	5,124,630	-
Street improvement fund	5,952,559	-	5,952,559	5,952,559	-
Park improvement fund	435,344	-	435,344	435,344	-
Facility fees fund	25,834	-	25,834	25,834	-
Misc cap project	-	336,000	336,000	336,000	-
Note proceeds	1,527,477	-	1,527,477	1,994,631	(467,154)
Issuance of debt	120,423,461	-	120,423,461	147,381,435	(26,957,974)
Gain (loss) on sale of property	1,438,100	-	1,438,100	-	1,438,100
Total other financing sources	<u>134,927,405</u>	<u>336,000</u>	<u>135,263,405</u>	<u>161,250,433</u>	<u>(25,987,028)</u>
Total revenues and other financing sources	<u>\$ 142,631,966</u>	<u>\$ 2,068,613</u>	<u>\$ 144,700,579</u>	<u>175,338,817</u>	<u>\$ (30,638,238)</u>
Fund balance appropriated				<u>600,000</u>	
				<u>\$ 175,938,817</u>	
EXPENDITURES					
Public infrastructure	\$ 93,766,292	\$ 17,786,990	\$ 111,553,282	\$ 166,990,436	\$ (55,437,154)
OTHER FINANCING USES					
Transfers to:					
Mass transit fund	402,381	-	402,381	402,381	-
Street Improvement fund	596,000	-	596,000	596,000	-
Raleigh Union Station fund	7,950,000	-	7,950,000	7,950,000	-
Total other financing uses	<u>8,948,381</u>	<u>-</u>	<u>8,948,381</u>	<u>8,948,381</u>	<u>-</u>
Total expenditures and other financing uses	<u>\$ 102,714,673</u>	<u>\$ 17,786,990</u>	<u>\$ 120,501,663</u>	<u>\$ 175,938,817</u>	<u>\$ (55,437,154)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
COMPARED WITH BUDGET
SIDEWALK FUND**

For the Fiscal Year Ended June 30, 2018

	Prior Years	Actual Current Year	Total	Budget	Over (Under) Budget
REVENUES					
Intergovernmental:					
North Carolina Department of Transportation	\$ 2,054,922	\$ -	\$ 2,054,922	\$ 2,302,133	\$ (247,211)
Other local sources	82,500	-	82,500	82,500	-
Assessments	2,434,020	325,301	2,759,321	326,386	2,432,935
Gain (loss) on investments	587,904	-	587,904	-	587,904
Total revenues	<u>5,159,346</u>	<u>325,301</u>	<u>5,484,647</u>	<u>2,711,019</u>	<u>2,773,628</u>
OTHER FINANCING SOURCES					
Transfers from:					
Facilities fees fund	930,800	-	930,800	-	930,800
General fund	4,486,252	643,000	5,129,252	5,674,350	(545,098)
Total other financing sources	<u>5,417,052</u>	<u>643,000</u>	<u>6,060,052</u>	<u>5,674,350</u>	<u>385,702</u>
Total revenues and other financing sources	<u>\$ 10,576,398</u>	<u>\$ 968,301</u>	<u>\$ 11,544,699</u>	8,385,369	<u>\$ 3,159,330</u>
Fund balance appropriated				1,050,000	
				<u>\$ 9,435,369</u>	
EXPENDITURES					
Public infrastructure	<u>\$ 5,285,066</u>	<u>\$ 188,344</u>	<u>\$ 5,473,410</u>	<u>\$ 9,435,369</u>	<u>\$ (3,961,959)</u>
OTHER FINANCING USES					
Transfers to:					
Street improvement fund	<u>480,942</u>	<u>-</u>	<u>480,942</u>	<u>-</u>	<u>480,942</u>
Total expenditures and other financing uses	<u>\$ 5,766,008</u>	<u>\$ 188,344</u>	<u>\$ 5,954,352</u>	<u>\$ 9,435,369</u>	<u>\$ (3,481,017)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
COMPARED WITH BUDGET
PARK IMPROVEMENT FUND
For the Fiscal Year Ended June 30, 2018**

	Prior Years	Actual Current Year	Total	Budget	Over (Under) Budget
REVENUES					
Intergovernmental:					
Wake County	\$ 1,505,605	\$ -	\$ 1,505,605	\$ 1,505,605	\$ -
Assessments	505,273	246,874	752,147	636,882	115,265
Gain (loss) on investments	413,940	113,758	527,698	112,289	415,409
Facility fees	34,444	121,133	155,577	139,625	15,952
Fees and charges	-	684	684	684	-
Donations and contributions	115,000	159,540	274,540	274,540	-
Miscellaneous other	462,700	28,022	490,722	208,643	4,917
Total revenues	<u>3,036,962</u>	<u>670,011</u>	<u>3,706,973</u>	<u>2,878,268</u>	<u>828,705</u>
OTHER FINANCING SOURCES					
Transfers from:					
General fund	17,319,682	4,955,000	22,274,682	22,274,682	-
Facility fees fund	8,735,034	950,000	9,685,034	9,685,034	-
Miscellaneous capital projects fund	410,000	-	410,000	410,000	-
Park bond fund	3,003,000	-	3,003,000	3,003,000	-
Total other financing sources	<u>29,467,716</u>	<u>5,905,000</u>	<u>35,372,716</u>	<u>35,372,716</u>	<u>477,162</u>
Total revenues and other financing sources	<u>\$ 32,504,678</u>	<u>\$ 6,575,011</u>	<u>\$ 39,079,689</u>	<u>38,250,984</u>	<u>\$ 828,705</u>
Fund balance appropriated				<u>1,556,000</u>	
				<u>\$ 39,806,984</u>	
EXPENDITURES					
Leisure services	<u>\$ 15,939,401</u>	<u>\$ 3,902,019</u>	<u>\$ 19,841,420</u>	<u>\$ 39,806,984</u>	<u>\$ (19,965,564)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
COMPARED WITH BUDGET
RALEIGH UNION STATION FUND
For the Fiscal Year Ended June 30, 2018**

	Prior Years	Actual Current Year	Total	Budget	Over (Under) Budget
REVENUES					
Intergovernmental:					
Federal Railroad Authority	\$ 21,892,397	\$ 16,107,603	\$ 38,000,000	\$ 37,998,800	\$ 1,200
State of North Carolina	5,076,040	1,864,824	6,940,864	9,000,000	(2,059,136)
Other local	3,040,000	-	3,040,000	3,040,000	-
Project revenue (non-grant)	3,650,000	2,092,482	5,742,482	11,892,143	(6,149,661)
Gain (loss) on investments	39,949	138,480	178,429	-	178,429
Miscellaneous other	10,000	-	10,000	10,000	-
Total revenues	<u>33,708,386</u>	<u>20,203,389</u>	<u>53,911,775</u>	<u>61,940,943</u>	<u>(8,029,168)</u>
OTHER FINANCING SOURCES					
Transfers from:					
General fund	6,200,000	980,000	7,180,000	7,180,000	-
Street bond fund	10,660,000	-	10,660,000	10,644,806	15,194
Major public facilities fund	500,000	-	500,000	500,000	-
Stormwater utility capital project fund	-	290,000	290,000	290,000	-
Miscellaneous capital projects fund	523,533	-	523,533	523,533	-
Issuance of debt	5,050,000	-	5,050,000	5,050,000	-
Premium on issuance of debt	433,355	-	433,355	-	433,355
Total other financing sources	<u>23,366,888</u>	<u>1,270,000</u>	<u>24,636,888</u>	<u>24,188,339</u>	<u>448,549</u>
Total revenues and other financing sources	<u>\$ 57,075,274</u>	<u>\$ 21,473,389</u>	<u>\$ 78,548,663</u>	<u>\$ 86,129,282</u>	<u>\$ (7,580,619)</u>
EXPENDITURES					
Public infrastructure	<u>\$ 51,814,774</u>	<u>\$ 25,953,252</u>	<u>\$ 77,768,026</u>	<u>\$ 86,129,282</u>	<u>\$ (8,361,256)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
COMPARED WITH BUDGET
FACILITY FEES FUND
For the Fiscal Year Ended June 30, 2018**

	Prior Years	Actual Current Year	Total	Budget	Over (Under) Budget
REVENUES					
Gain (loss) on investments	\$ 193,813	\$ (56,432)	\$ 137,381	\$ -	\$ 137,381
Facility fees	58,116,990	9,505,538	67,622,528	64,050,411	3,572,117
Total revenues	<u>\$ 58,310,803</u>	<u>\$ 9,449,106</u>	<u>\$ 67,759,909</u>	<u>\$ 64,050,411</u>	<u>\$ 3,709,498</u>
OTHER FINANCING USES					
Transfers to:					
General fund	\$ 29,373,796	\$ 4,776,209	\$ 34,150,005	\$ 34,150,005	\$ -
Park improvement fund	9,000,000	950,000	9,950,000	9,950,000	-
Street improvement fund	16,424,572	3,500,000	19,924,572	19,924,572	-
Street bond fund	25,834	-	25,834	25,834	-
Total other financing uses	<u>\$ 54,824,202</u>	<u>\$ 9,226,209</u>	<u>\$ 64,050,411</u>	<u>\$ 64,050,411</u>	<u>\$ -</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
COMPARED WITH BUDGET
PARK BOND FUND
For the Fiscal Year Ended June 30, 2018**

	Prior Years	Actual Current Year	Total	Budget	Over (Under) Budget
REVENUES					
Intergovernmental:					
State of North Carolina	\$ 70,312	\$ 250,000	\$ 320,312	\$ 70,312	\$ 250,000
Other municipalities	-	315,440	315,440	-	315,440
Gain (loss) on investments	225,286	479,630	704,916	-	704,916
Donations and contributions	-	1,931,105	1,931,105	2,371,900	(440,795)
Miscellaneous other	315,155	-	315,155	-	315,155
Total revenues	610,753	2,976,175	3,586,928	2,442,212	1,144,716
OTHER FINANCING SOURCES					
Transfers from:					
General fund	-	70,200	70,200	70,200	-
Issuance of debt	143,967,200	-	143,967,200	174,460,984	(30,493,784)
Premium on issuance of debt	2,781,558	-	2,781,558	2,781,558	-
Total other financing sources	146,748,758	70,200	146,818,958	177,312,742	(30,493,784)
Total revenues and other financing sources	<u>\$ 147,359,511</u>	<u>\$ 3,046,375</u>	<u>\$ 150,405,886</u>	179,754,954	<u>\$ (29,349,068)</u>
Fund balance appropriated				<u>2,850,000</u>	
				<u>\$ 182,604,954</u>	
EXPENDITURES					
Leisure services	\$ 103,490,804	\$ 9,775,015	\$ 113,265,819	\$ 182,604,954	\$ (69,339,135)
OTHER FINANCING USES					
Transfers to:					
Park improvement fund	3,003,000	-	3,003,000	-	3,003,000
Total expenditures and other financing uses	<u>\$ 106,493,804</u>	<u>\$ 9,775,015</u>	<u>\$ 116,268,819</u>	<u>\$ 182,604,954</u>	<u>\$ (66,336,135)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
COMPARED WITH BUDGET
MISCELLANEOUS CAPITAL IMPROVEMENTS FUND
For the Fiscal Year Ended June 30, 2018**

	Prior Years	Actual Current Year	Total	Budget	Over (Under) Budget
REVENUES					
Gain (loss) on investments	\$ 1,228,239	\$ 228,954	\$ 1,457,193	\$ 1,234,808	\$ 222,385
Other fees and charges	98,717	81,671	180,388	50,317	130,071
Total revenues	1,326,956	310,625	1,637,581	1,285,125	352,456
OTHER FINANCING SOURCES					
Transfers from:					
General fund	33,230,484	8,238,000	41,468,484	41,468,484	-
Park improvement fund	460,000	-	460,000	460,000	-
Street improvement fund	4,130,092	-	4,130,092	4,130,092	-
Technology fund	200,000	-	200,000	200,000	-
Sidewalk fund	462,806	-	462,806	462,806	-
Issuance of debt	22,921,625	-	22,921,625	40,812,016	(17,890,391)
Premium on bonds	869,533	-	869,533	869,533	-
Gain (loss) on sale of property	13,368,680	1,038,604	14,407,284	7,920,843	6,486,441
Total other financing sources	75,643,220	9,276,604	84,919,824	96,323,774	(11,403,950)
Total revenues and other financing sources	<u>\$ 76,970,176</u>	<u>\$ 9,587,229</u>	<u>\$ 86,557,405</u>	97,608,899	<u>\$ (11,051,494)</u>
Fund balance appropriated				3,046,277	
				<u>\$ 100,655,176</u>	
EXPENDITURES					
General government	\$ 1,556,464	\$ -	\$ 1,556,464	\$ 3,440,903	\$ (1,884,439)
Community development	5,830,677	-	5,830,677	5,876,250	(45,573)
Public infrastructure	12,127,555	1,765,723	13,893,278	21,215,816	(7,322,538)
Public safety	14,215,117	6,430,094	20,645,211	69,248,897	(48,603,686)
Total expenditures	33,729,813	8,195,817	41,925,630	99,781,866	(57,856,236)
OTHER FINANCING USES					
Transfers to:					
Street bond fund	-	336,000	336,000	336,000	-
Raleigh Union Station fund	523,533	-	523,533	523,533	-
Grants fund	13,777	-	13,777	13,777	-
Total other financing uses	537,310	336,000	873,310	873,310	-
Total expenditures and other financing uses	<u>\$ 34,267,123</u>	<u>\$ 8,531,817</u>	<u>\$ 42,798,940</u>	<u>\$ 100,655,176</u>	<u>\$ (57,856,236)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
 COMPARED WITH BUDGET
 WALNUT CREEK AMPHITHEATER PROJECTS FUND
 For the Fiscal Year Ended June 30, 2018**

	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES					
Rents	\$ 1,647,505	\$ 299,865	\$ 1,947,370	\$ 740,524	\$ 1,206,846
Other fees and charges	-	202,154	202,154	150,000	52,154
Total revenues	<u>\$ 1,647,505</u>	<u>\$ 502,019</u>	<u>\$ 2,149,524</u>	<u>\$ 890,524</u>	<u>\$ 1,259,000</u>
EXPENDITURES					
Leisure services	<u>\$ 197,412</u>	<u>\$ 257,174</u>	<u>\$ 454,586</u>	<u>\$ 890,524</u>	<u>\$ (435,938)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
COMPARED WITH BUDGET
TECHNOLOGY CAPITAL PROJECTS FUND
For the Fiscal Year Ended June 30, 2018**

	Prior Years	Actual Current Year	Total	Budget	Over (Under) Budget
REVENUES					
Gain (loss) on investments	\$ 253,307	\$ 66,690	\$ 319,997	\$ -	\$ 319,997
OTHER FINANCING SOURCES					
Transfers from:					
Convention center complex fund	352,650	116,458	469,108	469,108	-
General fund	14,148,501	3,830,964	17,979,465	17,663,062	316,403
Community development fund	28,511	-	28,511	28,511	-
Mass transit fund	36,340	12,015	48,355	48,355	-
Parking fund	65,419	28,682	94,101	94,101	-
Solid waste services fund	765,681	246,371	1,012,052	1,012,052	-
Stormwater fund	636,075	161,724	797,799	797,799	-
Vehicle fleet services fund	249,388	69,141	318,529	318,529	-
Water and sewer fund	5,434,268	1,765,645	7,199,913	7,199,913	-
Total other financing sources	21,716,833	6,231,000	27,947,833	27,631,430	316,403
Total revenues and other financing sources	<u>\$ 21,970,140</u>	<u>\$ 6,297,690</u>	<u>\$ 28,267,830</u>	<u>\$ 27,631,430</u>	<u>\$ 636,400</u>
EXPENDITURES					
General government	\$ 12,285,715	\$ 2,070,874	\$ 14,356,589	\$ 24,410,566	\$ (10,053,977)
OTHER FINANCING USES					
Transfers to:					
General fund	193,000	3,027,864	3,220,864	3,220,864	-
Total expenditures and other financing uses	<u>\$ 12,478,715</u>	<u>\$ 5,098,738</u>	<u>\$ 17,577,453</u>	<u>\$ 27,631,430</u>	<u>\$ (10,053,977)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
COMPARED WITH BUDGET
MAJOR PUBLIC FACILITIES FUND
For the Fiscal Year Ended June 30, 2018**

	Prior Years	Actual Current Year	Total	Budget	Over (Under) Budget
REVENUES					
Intergovernmental:					
American recovery and reinvestment act	\$ 1,174,152	\$ -	\$ 1,174,152	\$ 1,291,334	\$ (117,182)
Other local sources	1,293,625	-	1,293,625	1,293,625	-
Gain (loss) on investments	147,800	66,779	214,579	-	214,579
Total revenues	<u>2,615,577</u>	<u>66,779</u>	<u>2,682,356</u>	<u>2,584,959</u>	<u>97,397</u>
OTHER FINANCING SOURCES					
Issuance of debt	144,598,137	-	144,598,137	144,963,763	(365,626)
Premium on issuance of debt	11,985,425	-	11,985,425	11,985,425	-
Total other financing sources	<u>156,583,562</u>	<u>-</u>	<u>156,583,562</u>	<u>156,949,188</u>	<u>(365,626)</u>
Total revenues and other financing sources	<u>\$ 159,199,139</u>	<u>\$ 66,779</u>	<u>\$ 159,265,918</u>	<u>159,534,147</u>	<u>\$ (268,229)</u>
Fund balance appropriated				<u>-</u>	
				<u>\$ 159,534,147</u>	
EXPENDITURES					
Public infrastructure	\$ 83,542,500	\$ 135,220	\$ 83,677,720	\$ 86,630,679	\$ (2,952,959)
Public safety	68,328,586	154,973	68,483,559	72,403,468	(3,919,909)
Total expenditures	<u>151,871,086</u>	<u>290,193</u>	<u>152,161,279</u>	<u>159,034,147</u>	<u>(6,872,868)</u>
OTHER FINANCING USES					
Transfers to:					
Raleigh Union Station fund	<u>500,000</u>	<u>-</u>	<u>500,000</u>	<u>500,000</u>	<u>-</u>
Total expenditures and other financing uses	<u>\$ 152,371,086</u>	<u>\$ 290,193</u>	<u>\$ 152,661,279</u>	<u>\$ 159,534,147</u>	<u>\$ (6,872,868)</u>

Enterprise Funds

Enterprise Funds are a subclassification of the proprietary fund types and are used to account for operations:

- (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs of providing goods or services to the general public be recovered through user charges; or,
- (b) where the governing body has decided that periodic determinations of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The City's enterprise fund operations include water and sewer utility, convention center complex, mass transit, stormwater utility, parking facilities and solid waste services.

Enterprise Funds

Water and Sewer Fund (major fund)

The Water and Sewer Fund accounts for operating and capital costs associated with the City's water and sewer operations. This fund combines the Water and Sewer Operating Fund, the Water Capital Projects Fund, the Sewer Capital Projects Fund and the Water and Sewer Revenue Bond Fund.

Convention Center Complex Fund (major fund)

The Convention Center Complex Fund accounts for the operating and capital costs at the City's convention center and performing arts complex. This fund combines the Convention Center and Performing Arts Complex Operating Fund, the Convention Center and Performing Arts Projects Fund and the Convention Center Complex Capital Projects Fund.

Mass Transit Fund (major fund)

The Mass Transit Fund accounts for user charges, fees, federal contributions and all operating costs associated with the operation of the transit system in the City. This fund also accounts for all capital projects financed by transit grant proceeds.

Stormwater Utility Fund (major fund)

The Stormwater Utility Fund accounts for operating and capital costs associated with the City's stormwater management program. This fund combines the Stormwater Utility Operating Fund, the Stormwater Utility Capital Projects Fund and the Stormwater Utility Bond Fund.

Parking Facilities Fund (major fund)

The Parking Facilities Fund accounts for parking fee charges and all operating costs associated with City-owned off-street and on-street parking facilities. This fund combines the Parking Facilities Operating Fund and the Parking Facilities Capital Projects Fund.

Solid Waste Services Fund (major fund)

The Solid Waste Services Fund accounts for operating and capital costs associated with the City's residential solid waste and recycling program. This fund also accounts for the City's landfill post closure liability.

Schedule of Revenues and Expenditures – Budget (Modified Accrual Basis) and Actual Enterprise Funds

The following schedules present the results of operations for all individual enterprise funds on the modified accrual basis for comparison to the legally adopted budgets for each fund. For GAAP purposes the individual funds are consolidated into the three funds shown in basic financial statements and the two funds shown in the preceding combining financial statements. A reconciliation of the modified accrual basis to the full accrual basis (per generally accepted accounting principles) follows each schedule or group of schedules.

**SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
WATER AND SEWER OPERATING FUND**
For the Fiscal Year Ended June 30, 2018

	Actual	Budget	Over (Under) Budget
REVENUES			
Water and sewer user charges	\$ 207,184,952	\$ 200,846,734	\$ 6,338,218
Water infrastructure replacement	4,699,209	4,500,000	199,209
Sewer infrastructure replacement	12,953,927	12,652,000	301,927
Watershed protection fees	2,259,707	2,250,000	9,707
Capital facility fees	16,126,584	12,313,985	3,812,599
Connections and tap fees	2,020,212	1,276,100	744,112
Water and sewer penalties	593,895	1,242,500	(648,605)
Water and sewer sales - municipalities	320,277	233,400	86,877
Water and sewer assessments	17,708	585,000	(567,292)
Miscellaneous other	4,820,412	5,474,806	(654,394)
Total operating revenues	<u>250,996,883</u>	<u>241,374,525</u>	<u>9,622,358</u>
NONOPERATING REVENUES			
Gain (loss) on investments	2,182,635	2,384,956	(202,321)
Gain (loss) on disposal of capital assets	58,966	-	58,966
Other	290,472	847,000	(556,528)
Total nonoperating revenues	<u>2,532,073</u>	<u>3,231,956</u>	<u>(699,883)</u>
OTHER FINANCING SOURCES			
Transfers from stormwater fund	237,500	237,500	-
Total other financing sources	<u>237,500</u>	<u>237,500</u>	<u>-</u>
Total revenues and other financing sources	<u>\$ 253,766,456</u>	<u>244,843,981</u>	<u>\$ 8,922,475</u>
Fund balance appropriated		<u>41,237,918</u>	
		<u>\$ 286,081,899</u>	
EXPENDITURES			
Public utilities:			
Administration	\$ 9,351,832	\$ 11,741,381	\$ (2,389,549)
Capital improvements management	3,958,954	4,149,293	(190,339)
Water plant	19,242,617	22,648,274	(3,405,657)
Waste treatment plant	21,586,406	25,024,693	(3,438,287)
Utility billing	6,876,800	7,428,641	(551,841)
Sewer maintenance	12,440,766	14,065,857	(1,625,091)
Water distribution	11,401,591	13,757,873	(2,356,282)
Meter operations	5,256,254	6,262,057	(1,005,803)
Warehouse	73,657	117,457	(43,800)
Repairs and maintenance	1,726,260	2,251,262	(525,002)
	<u>91,915,137</u>	<u>107,446,788</u>	<u>(15,531,651)</u>

Continued

**SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
WATER AND SEWER OPERATING FUND**

For the Fiscal Year Ended June 30, 2018

	Actual	Budget	Over (Under) Budget
EXPENDITURES (CONTINUED)			
Special appropriations:			
Reimbursement to general fund	\$ 8,857,469	\$ 8,857,469	\$ -
Insurance and risk management charges	3,958,300	3,989,987	(31,687)
Other expenditures	571,987	2,768,905	(2,196,918)
	<u>13,387,756</u>	<u>15,616,361</u>	<u>(2,228,605)</u>
Debt service:			
Revenue bonds:			
Principal	23,130,000	23,130,000	-
Interest	29,977,152	30,326,438	(349,286)
Installment financing agreements:			
Principal	5,157,396	5,250,000	(92,604)
Interest	2,022,827	2,050,000	(27,173)
Escrow expenditures - merged systems' debt	774,103	795,000	(20,897)
Other expenditures	520,621	1,185,996	(665,375)
	<u>61,582,099</u>	<u>62,737,434</u>	<u>(1,155,335)</u>
Total expenditures	<u>166,884,992</u>	<u>185,800,583</u>	<u>(18,915,591)</u>
OTHER FINANCING USES			
Transfers to:			
Water capital projects fund	42,002,855	42,002,855	-
Sewer capital projects fund	56,512,816	56,512,816	-
Technology capital projects fund	1,765,645	1,765,645	-
Total transfers	<u>100,281,316</u>	<u>100,281,316</u>	<u>-</u>
Total other financing uses	<u>100,281,316</u>	<u>100,281,316</u>	<u>-</u>
Total expenditures and other financing uses	<u>\$ 267,166,308</u>	<u>\$ 286,081,899</u>	<u>\$ (18,915,591)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
WATER CAPITAL PROJECTS FUND
For the Fiscal Year Ended June 30, 2018**

	Prior Years	Actual Current Year	Total	Budget	Over (Under) Budget
REVENUES					
Gain (loss) on investments	\$ -	\$ 305,680	\$ 305,680	\$ -	\$ 305,680
OTHER FINANCING SOURCES					
Transfers from:					
Water and sewer operating fund	113,502,567	42,002,855	155,505,422	153,929,807	1,575,615
Street bond fund	146,123	-	146,123	146,123	-
Total other financing sources	113,648,690	42,002,855	155,651,545	154,075,930	1,575,615
Total revenues and other financing sources	\$ 113,648,690	\$ 42,308,535	\$ 155,957,225	154,075,930	\$ 1,881,295
Fund balance appropriated				911,000	
				<u>\$ 154,986,930</u>	
EXPENDITURES					
Water capital projects	\$ 64,604,221	\$ 26,346,727	\$ 90,950,948	\$ 154,558,910	\$ (63,607,962)
OTHER FINANCING USES					
Transfer to:					
Public utilities equipment replacement fund	428,020	-	428,020	428,020	-
Total expenditures and other financing uses	\$ 65,032,241	\$ 26,346,727	\$ 91,378,968	\$ 154,986,930	\$ (63,607,962)

**SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
SEWER CAPITAL PROJECTS FUND
For the Fiscal Year Ended June 30, 2018**

	Prior Years	Actual Current Year	Total	Budget	Over (Under) Budget
REVENUES					
Gain (loss) on investments	\$ -	\$ 627,157	\$ 627,157	\$ -	\$ 627,157
Insurance proceeds	-	3,235,063	3,235,063	-	3,235,063
Total revenues	-	3,862,220	3,862,220	-	3,862,220
OTHER FINANCING SOURCES					
Transfers from:					
Water and sewer operating fund	147,422,583	56,512,816	203,935,399	205,877,250	(1,941,851)
Total revenues and other financing sources	<u>\$ 147,422,583</u>	<u>\$ 60,375,036</u>	<u>\$ 207,797,619</u>	<u>\$ 205,877,250</u>	<u>\$ 1,920,369</u>
EXPENDITURES					
Sewer capital projects	<u>\$ 54,617,852</u>	<u>\$ 37,018,014</u>	<u>\$ 91,635,866</u>	<u>\$ 205,877,250</u>	<u>\$ (114,241,384)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
WATER AND SEWER REVENUE BOND FUND
For the Fiscal Year Ended June 30, 2018**

	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES					
Intergovernmental:					
N.C. Department of Natural Resources	\$ 57,422,487	\$ 3,473,259	\$ 60,895,746	\$ 127,093,026	\$ (66,197,280)
Gain (loss) on investments	-	958,968	958,968	-	958,968
Total revenues	<u>57,422,487</u>	<u>4,432,227</u>	<u>61,854,714</u>	<u>127,093,026</u>	<u>(65,238,312)</u>
OTHER FINANCING SOURCES					
Issuance of debt	287,662,218	-	287,662,218	350,913,104	(63,250,886)
Premium on issuance of debt	<u>8,542,927</u>	<u>-</u>	<u>8,542,927</u>	<u>8,542,927</u>	<u>-</u>
Total other financing sources	<u>296,205,145</u>	<u>-</u>	<u>296,205,145</u>	<u>359,456,031</u>	<u>(63,250,886)</u>
Total revenues and other financing sources	<u>\$ 353,627,632</u>	<u>\$ 4,432,227</u>	<u>\$ 358,059,859</u>	<u>486,549,057</u>	<u>\$ (128,489,198)</u>
Fund balance appropriated				<u>1,000,000</u>	
				<u>\$ 487,549,057</u>	
EXPENDITURES					
Water capital projects	\$ 58,344,719	\$ 3,917,970	\$ 62,262,689	\$ 96,487,850	\$ (34,225,161)
Sewer capital projects	<u>206,699,386</u>	<u>15,952,640</u>	<u>222,652,026</u>	<u>391,061,207</u>	<u>(168,409,181)</u>
Total expenditures	<u>\$ 265,044,105</u>	<u>\$ 19,870,610</u>	<u>\$ 284,914,715</u>	<u>\$ 487,549,057</u>	<u>\$ (202,634,342)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
WATER AND SEWER FUNDS
For the Fiscal Year Ended June 30, 2018**

RECONCILIATION OF MODIFIED ACCRUAL BASIS TO FULL ACCRUAL BASIS:

Total current year revenues and other financing

sources - modified accrual basis:

Water and sewer operating fund	\$ 253,766,456
Water capital projects fund	42,308,535
Sewer capital projects fund	60,375,036
Water and sewer revenue bond fund	<u>4,432,227</u>

Total current year expenditures and other financing

uses - modified accrual basis:

Water and sewer operating fund	(267,166,308)
Water capital projects fund	(26,346,727)
Sewer capital projects fund	(37,018,014)
Water and sewer revenue bond fund	<u>(19,870,610)</u>

Excess of revenues and other financing sources over
expenditures and other financing uses

10,480,595

Adjustments to full accrual basis:

Amortization of deferred refunding charges	(1,608,173)
Amortization of bond premiums and discounts	3,232,162
Bond and note proceeds	(3,473,259)
Bond and note principal payments	28,287,396
Capital contributions	1,593,019
Capital outlay	83,947,479
Capitalized interest	5,319,734
Depreciation	(38,184,681)
Earned vacation pay expense	(120,955)
Interest expense accrual	(2,372,102)
Other escrow expenditures	38,685
Increase (decrease) in deferred outflows of resources - LGERS	(4,547,828)
(Increase) decrease in deferred inflows of resources - LGERS	144,449
(Increase) decrease in net pension liability - LGERS	3,763,548
(Increase) decrease in deferred inflows of resources - OPEB	(8,892,243)
(Increase) decrease in net pension liability - OPEB	9,795,131
Revenue accruals from receivables	<u>1,063,595</u>

Change in net position per statement of revenues, expenses and
changes in fund net position

\$ 88,466,552

**SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
CONVENTION CENTER AND PERFORMING ARTS COMPLEX OPERATING FUND
For the Fiscal Year Ended June 30, 2018**

	Actual	Budget	Over (Under) Budget
REVENUES			
User charges:			
Convention and civic center	\$ 5,715,416	\$ 5,512,100	\$ 203,316
Performing arts center	6,052,852	5,247,322	805,530
Red Hat amphitheater	1,693,908	1,581,000	112,908
Special events	397,047	573,000	(175,953)
Total user charges	<u>13,859,223</u>	<u>12,913,422</u>	<u>945,801</u>
Miscellaneous Other	862,503	828,088	34,415
Gain (loss) on investments	82,990	17,003	65,987
Total revenues	<u>14,804,716</u>	<u>13,758,513</u>	<u>1,046,203</u>
OTHER FINANCING SOURCES			
Transfers from:			
General fund	2,973,875	2,973,875	-
Convention center financing fund	<u>20,597,023</u>	<u>21,704,735</u>	<u>(1,107,712)</u>
Total other financing sources	<u>23,570,898</u>	<u>24,678,610</u>	<u>(1,107,712)</u>
Total revenues and other financing sources	<u>\$ 38,375,614</u>	<u>38,437,123</u>	<u>\$ (61,509)</u>
Fund balance appropriated		<u>1,178,906</u>	
		<u>\$ 39,616,029</u>	
EXPENDITURES			
Civic and convention center	\$ 8,460,670	\$ 9,374,492	\$ (913,822)
Performing arts center	6,619,817	7,182,748	(562,931)
Red Hat amphitheater	1,575,367	1,810,025	(234,658)
Special events	<u>501,556</u>	<u>712,234</u>	<u>(210,678)</u>
Total operating expenditures	<u>17,157,410</u>	<u>19,079,499</u>	<u>(1,922,089)</u>
DEBT SERVICE			
Principal	9,260,734	9,523,234	(262,500)
Interest	8,438,841	9,353,338	(914,497)
Other debt service costs	<u>1,165,093</u>	<u>1,543,500</u>	<u>(378,407)</u>
Total debt service	<u>18,864,668</u>	<u>20,420,072</u>	<u>(1,555,404)</u>
OTHER FINANCING USES			
Transfers to:			
Technology capital projects fund	<u>116,458</u>	<u>116,458</u>	<u>-</u>
Total other financing uses	<u>116,458</u>	<u>116,458</u>	<u>-</u>
Total expenditures and other financing uses	<u>\$ 36,138,536</u>	<u>\$ 39,616,029</u>	<u>\$ (3,477,493)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
CONVENTION AND PERFORMING ARTS COMPLEX PROJECTS FUND
For the Fiscal Year Ended June 30, 2018**

	Prior Years	Actual Current Year	Total	Budget	Over (Under) Budget
OTHER FINANCING SOURCES					
Note proceeds	\$ 4,090,708	\$ -	\$ 4,090,708	\$ 4,349,017	\$ (258,309)
Bond proceeds	9,147,202	-	9,147,202	10,584,201	(1,436,999)
Premium on bonds	905,182	-	905,182	728,559	176,623
Miscellaneous revenues	617,613	14,255	631,868	761,530	(129,662)
Gain (loss) on investments	86,922	10,101	97,023	63,912	33,111
Transfers from:					
General Fund	3,020,000	-	3,020,000	3,020,000	-
Convention center operating fund	1,910,431	500,000	2,410,431	2,410,431	-
Miscellaneous capital projects fund	118,000	-	118,000	118,000	-
Total revenues and other financing sources	<u>\$ 19,896,058</u>	<u>\$ 524,356</u>	<u>\$ 20,420,414</u>	<u>\$ 22,035,650</u>	<u>\$ (1,615,236)</u>
EXPENDITURES					
Convention center and performing arts complex projects	<u>\$ 16,091,320</u>	<u>\$ 1,837,571</u>	<u>\$ 17,928,891</u>	<u>\$ 22,035,650</u>	<u>\$ (4,106,759)</u>

SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
CONVENTION CENTER COMPLEX CAPITAL PROJECTS FUND
For the Fiscal Year Ended June 30, 2018

	Prior Years	Actual Current Year	Total	Budget	Over (Under) Budget
REVENUES					
Gain (loss) on investments	\$ 530,509	\$ -	\$ 530,509	\$ -	\$ 530,509
Miscellaneous other	2,078,226	-	2,078,226	72,259	2,005,967
Total revenues	<u>2,608,735</u>	<u>-</u>	<u>2,608,735</u>	<u>72,259</u>	<u>2,536,476</u>
OTHER FINANCING SOURCES					
Transfers from:					
Convention center financing fund	<u>7,394,255</u>	<u>2,709,000</u>	<u>10,103,255</u>	<u>10,103,255</u>	<u>-</u>
Total revenues and other financing sources	<u>\$ 10,002,990</u>	<u>\$ 2,709,000</u>	<u>\$ 12,711,990</u>	<u>\$ 10,175,514</u>	<u>\$ 2,536,476</u>
Fund balance appropriated				<u>764,247</u>	
				<u>\$ 10,939,761</u>	
EXPENDITURES					
Convention center projects	<u>\$ 4,259,036</u>	<u>\$ 2,338,723</u>	<u>\$ 6,597,759</u>	<u>\$ 10,939,761</u>	<u>\$ (4,342,002)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
CONVENTION CENTER FUNDS
For the Fiscal Year Ended June 30, 2018**

RECONCILIATION OF MODIFIED ACCRUAL BASIS TO FULL ACCRUAL BASIS:

Total current year revenues and other financing sources - modified accrual basis		
Convention center and performing arts complex operating fund	\$	38,375,614
Convention center and performing arts complex projects fund		524,356
Convention center complex capital projects fund		2,709,000
 Total current expenditures and other financing uses - modified accrual basis		
Convention center and performing arts complex operating fund		(36,138,536)
Convention center and performing arts complex projects fund		(1,837,571)
Convention center complex capital projects fund		<u>(2,338,723)</u>
 Excess of revenues and other financing sources over expenditures and other financing uses		1,294,140
 Adjustments to full accrual basis:		
Amortization of premiums and discounts		113,936
Bond and note principal payments		9,260,734
Capital outlay		4,171,364
Depreciation		(8,231,262)
Interest expense accrual		140,892
(Increase) decrease in deferred outflows of resources - LGERS		(752,220)
(Increase) decrease in deferred inflows of resources - LGERS		23,892
Increase in pension liability - LGERS		622,498
(Increase) decrease in deferred inflows of resources - OPEB		149,340
Vacation expense		<u>(8,264)</u>
 Change in net position per statement of revenues, expenses and changes in net position	\$	<u><u>6,785,050</u></u>

**SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
MASS TRANSIT FUND**

For the Fiscal Year Ended June 30, 2018

	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES					
Farebox	\$ -	\$ 4,858,124	\$ 4,858,124	\$ 5,516,598	\$ (658,474)
ART program fees	-	848,426	848,426	790,328	58,098
Intergovernmental revenue:					
Federal Transit Administration	14,184,072	8,501,210	22,685,282	41,769,409	(19,084,127)
State of North Carolina	676,381	3,034,891	3,711,272	3,705,949	5,323
Wake Transit	-	1,909,380	1,909,380	9,778,920	(7,869,540)
Miscellaneous other	-	-	-	205,000	(205,000)
Total revenues	<u>14,860,453</u>	<u>19,152,031</u>	<u>34,012,484</u>	<u>61,766,204</u>	<u>(27,753,720)</u>
OTHER FINANCING SOURCES					
Proceeds on disposal of capital assets	-	22,712	22,712	-	22,712
Transfers from:					
General fund	2,004,756	21,198,653	23,203,409	23,203,409	-
Grants fund	-	5,501	5,501	5,501	-
Street improvement fund	<u>766,279</u>	<u>693,349</u>	<u>1,459,628</u>	<u>3,539,520</u>	<u>(2,079,892)</u>
Total other financing sources	<u>2,771,035</u>	<u>21,920,215</u>	<u>24,691,250</u>	<u>26,748,430</u>	<u>(2,057,180)</u>
Total revenues and other financing sources	<u>\$ 17,631,488</u>	<u>\$ 41,072,246</u>	<u>\$ 58,703,734</u>	88,514,634	<u>\$ (29,810,900)</u>
Fund balance appropriated				<u>1,223,237</u>	
				<u>\$ 89,737,871</u>	
EXPENDITURES					
Mass transit operating expenditures	\$ -	\$ 19,889,673	\$ 19,889,673	\$ 21,340,170	\$ (1,450,497)
ART program operating expenditures	-	7,818,402	7,818,402	8,698,652	(880,250)
Capital grant expenditures	17,631,488	11,077,646	28,709,134	49,648,900	(20,939,766)
Wake Transit operating expenditures	-	1,778,603		2,575,920	(2,575,920)
Wake Transit capital expenditures	-	<u>130,777</u>		<u>7,140,000</u>	<u>(7,140,000)</u>
Total expenditures	<u>17,631,488</u>	<u>40,695,101</u>	<u>56,417,209</u>	<u>89,403,642</u>	<u>(23,270,513)</u>
OTHER FINANCING USES					
Transfers to:					
Grants fund	-	315,490	315,490	322,214	(6,724)
Technology capital projects fund	-	<u>12,015</u>	<u>12,015</u>	<u>12,015</u>	-
Total other financing uses	<u>-</u>	<u>327,505</u>	<u>327,505</u>	<u>334,229</u>	<u>(6,724)</u>
Total expenditures and other financing uses	<u>\$ 17,631,488</u>	<u>\$ 41,022,606</u>	<u>\$ 56,744,714</u>	<u>\$ 89,737,871</u>	<u>\$ (23,277,237)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
MASS TRANSIT FUND
For the Fiscal Year Ended June 30, 2018**

RECONCILIATION OF MODIFIED ACCRUAL BASIS TO FULL ACCRUAL BASIS:

Total current year revenues and other financing sources - modified accrual basis	\$ 41,072,246
Total current year expenditures and other financing uses - modified accrual basis	<u>(41,022,606)</u>
Excess of revenues and other financing sources over expenditures and other financing uses	49,640
Adjustments to full accrual basis:	
Capital outlay	2,684,139
Depreciation	(4,108,547)
Increase (decrease) in deferred outflows of resources - LGERS	(173,729)
Increase in pension liability - LGERS	148,486
Increase (decrease) in deferred outflows of resources - OPEB	-
(Increase) decrease in deferred inflows of resources - OPEB	(350,832)
Increase in pension liability - OPEB	386,454
Vacation expense	<u>(9,234)</u>
Change in net position per statement of revenues, expenses, and changes in fund net position	<u>\$ (1,373,623)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
STORMWATER UTILITY OPERATING FUND
For the Fiscal Year Ended June 30, 2018**

	<u>Actual</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES			
User charges	\$ 23,001,457	\$ 23,487,841	\$ (486,384)
Gain (loss) on investments	97,871	25,000	72,871
Miscellaneous other	407	106,000	(105,593)
Total revenues	<u>23,099,735</u>	<u>23,618,841</u>	<u>(519,106)</u>
OTHER FINANCING SOURCES			
Proceeds from disposal of capital assets	6,026	-	6,026
Total other financing sources	<u>6,026</u>	<u>-</u>	<u>6,026</u>
Total revenues and other financing sources	<u>\$ 23,105,761</u>	<u>23,618,841</u>	<u>\$ (513,080)</u>
Fund balance appropriated		<u>3,157,797</u>	
		<u>\$ 26,776,638</u>	
EXPENDITURES			
Operating expenditures	<u>\$ 13,576,288</u>	<u>\$ 16,139,359</u>	<u>\$ (2,563,071)</u>
DEBT SERVICE			
Note principal	<u>101,738</u>	<u>101,738</u>	<u>-</u>
OTHER FINANCING USES			
Transfers to:			
Stormwater utility capital projects fund	9,975,975	9,975,975	-
Technology capital projects fund	161,724	161,724	-
Public utilities fund	237,500	237,500	-
General fund	160,342	160,342	-
Total other financing uses	<u>10,535,541</u>	<u>10,535,541</u>	<u>-</u>
Total expenditures and other financing uses	<u>\$ 24,213,567</u>	<u>\$ 26,776,638</u>	<u>\$ (2,563,071)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
STORMWATER UTILITY CAPITAL PROJECTS FUND
For the Fiscal Year Ended June 30, 2018**

	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES					
Intergovernmental:					
Federal Emergency Management Agency	\$ 3,418,734	\$ 2,058,714	\$ 5,477,448.0	\$ 5,832,461	\$ (355,013)
N.C. Clean Water Management Trust	227,109	67,784	294,893.0	881,167	(586,274)
Gain (loss) on investments	3,988,189	239,310	4,227,499.0	93,626	4,133,873
Miscellaneous other	163,180	41,583	204,763.0	89,333	115,430
Total revenues	<u>7,797,212</u>	<u>2,407,391</u>	<u>10,204,603.0</u>	<u>6,896,587</u>	<u>3,308,016</u>
OTHER FINANCING SOURCES					
Transfer from:					
Stormwater utility operating fund	53,001,945	9,975,975	62,977,920.0	62,977,920	-
Total revenues and other financing sources	<u>\$ 60,799,157</u>	<u>\$ 12,383,366</u>	<u>\$ 73,182,523.0</u>	69,874,507	<u>\$ 3,308,016</u>
Fund balance appropriated				2,756,000	
				<u>\$ 72,630,507</u>	
EXPENDITURES					
Stormwater capital projects	\$ 24,881,821	\$ 10,666,564	\$ 35,548,385.0	\$ 71,954,138	\$ (36,405,753)
OTHER FINANCING USES					
Transfer to :					
Raleigh union station capital projects fund	386,369	290,000	676,369.0	676,369	-
Total expenditures and other financing uses	<u>\$ 25,268,190</u>	<u>\$ 10,956,564</u>	<u>\$ 36,224,754.0</u>	<u>\$ 72,630,507</u>	<u>\$ (36,405,753)</u>

SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
STORMWATER UTILITY BOND FUND
For the Fiscal Year Ended June 30, 2018

	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
OTHER FINANCING SOURCES					
Transfers from:					
Stormwater utility operating fund	\$ 554,707	\$ -	\$ 554,707	\$ 510,374	\$ 44,333
EXPENDITURES					
Stormwater capital projects	\$ 482,260	\$ -	\$ 482,260	\$ 510,374	\$ (28,114)

**SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
STORMWATER UTILITY FUNDS
For the Fiscal Year Ended June 30, 2018**

RECONCILIATION OF MODIFIED ACCRUAL BASIS TO FULL ACCRUAL BASIS:

Total current year revenues and other financing sources - modified accrual basis	
Stormwater utility operating fund	\$ 23,105,761
Stormwater utility capital projects fund	12,383,366
 Total current year expenditures and other financing uses - modified accrual basis	
Stormwater utility operating fund	(24,213,567)
Stormwater utility capital projects fund	<u>(10,956,564)</u>
 Excess of revenues and other financing sources over expenditures and other financing uses	 318,996
 Adjustments to full accrual basis:	
Capital outlay	10,603,009.00
Depreciation	(3,000,527.00)
Note principal	101,738.00
Increase (decrease) in deferred outflows of resources - LGERS	(810,379.00)
(Increase) decrease in deferred inflows of resources - LGERS	8,550.00
Increase in pension liability - LGERS	685,320.00
(Increase) decrease in deferred inflows of resources - OPEB	(1,619,225.00)
Increase in pension liability - OPEB	1,783,635.00
Vacation expense	<u>(210,501.00)</u>
 Change in net position per statement of revenues, expenses, and changes in fund net position	 \$ <u><u>7,860,616</u></u>

**SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
PARKING FACILITIES OPERATING FUND
For the fiscal year ended June 30, 2018**

	<u>Actual</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES			
Parking fees	\$ 16,239,749	\$ 15,602,112	\$ 637,637
Gain (loss) on investments	38,295	33,000	5,295
Miscellaneous other	18,822	51,883	(33,061)
Total revenues	<u>16,296,866</u>	<u>15,686,995</u>	<u>609,871</u>
 Total revenues and other financing sources	 <u>\$ 16,296,866</u>	 15,686,995	 <u>\$ 609,871</u>
Fund balance appropriated		3,286,786	
		<u>\$ 18,973,781</u>	
 EXPENDITURES			
Operating expenditures	<u>\$ 6,886,240</u>	<u>\$ 10,183,136</u>	<u>\$ (3,296,896)</u>
 DEBT SERVICE			
Note principal	3,622,057	3,623,057	(1,000)
Note interest	1,914,188	2,461,250	(547,062)
Other debt service expenditures	<u>218,221</u>	<u>330,000</u>	<u>(111,779)</u>
Total debt service	<u>5,754,466</u>	<u>6,414,307</u>	<u>(659,841)</u>
 OTHER FINANCING USES			
Transfers to:			
Equipment replacement fund	936,656	936,656	-
General fund	101,000	101,000	-
Parking facilities capital projects fund	1,170,000	1,170,000	-
Technology capital projects fund	28,682	28,682	-
Vehicle fleet services fund	140,000	140,000	-
Total other financing uses	<u>2,376,338</u>	<u>2,376,338</u>	<u>-</u>
Total expenditures and other financing uses	<u>\$ 15,017,044</u>	<u>\$ 18,973,781</u>	<u>\$ (3,956,737)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
PARKING FACILITIES CAPITAL PROJECTS FUND
For the fiscal year ended June 30, 2018**

	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
OTHER FINANCING SOURCES					
Proceeds from bonds	\$ 1,718,996	\$ -	\$ 1,718,996	\$ 7,524,500	\$ (5,805,504)
Transfer from:					
Parking facilities operating fund	<u>7,478,706</u>	<u>1,170,000</u>	<u>8,648,706</u>	<u>8,648,706</u>	<u>-</u>
Total revenues and other financing sources	<u>\$ 9,197,702</u>	<u>\$ 1,170,000</u>	<u>\$ 10,367,702</u>	<u>16,173,206</u>	<u>\$ (5,805,504)</u>
Fund balance appropriated				<u>2,121,829</u>	
				<u>\$ 18,295,035</u>	
EXPENDITURES					
Parking facilities capital projects	<u>\$ 7,209,000</u>	<u>\$ 7,300,560</u>	<u>\$ 14,509,560</u>	<u>\$ 18,295,035</u>	<u>\$ (3,785,475)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
PARKING FACILITIES FUNDS
For the fiscal year ended June 30, 2018**

RECONCILIATION OF MODIFIED ACCRUAL BASIS TO FULL ACCRUAL BASIS:

Total current year revenues and other financing sources - modified accrual basis		
Parking facilities operating fund	\$	16,296,866
Parking facilities capital projects fund		1,170,000
Total current year expenditures and other financing uses - modified accrual basis		
Parking facilities operating fund		(15,017,044)
Parking facilities capital projects fund		<u>(7,300,560)</u>
Deficiency of revenues and other financing sources under expenditures and other financing uses		(4,850,738)
Adjustments to full accrual basis:		
Accrued interest expense		(11,620)
Amortization of bond refunding costs		(77,149)
Amortization of premiums and discounts		261,114
Bond and note principal		3,622,057
Capital outlay		7,300,560
Depreciation		(4,176,158)
Increase (decrease) in deferred outflows of resources - LGERS		(269,143)
(Increase) decrease in deferred inflows of resources - LGERS		8,549
Increase in pension liability - LGERS		222,729
(Increase) decrease in deferred inflows of resources - OPEB		579,682
Increase in pension liability - OPEB		(526,248)
Vacation expense		<u>(15,610)</u>
Change in net position per statement of revenues, expenses, and changes in fund net position	\$	<u><u>2,068,025</u></u>

**SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
SOLID WASTE SERVICES FUND
For the Fiscal Year Ended June 30, 2018**

	<u>Actual</u>	<u>Budget</u>	<u>Over (Under) Budget</u>
REVENUES			
Solid waste residential collection	\$ 20,230,846	\$ 21,444,662	\$ (1,213,816)
Recycling residential collection	6,391,097	6,384,474	6,623
Yardwaste center	583,699	400,000	183,699
Gain (loss) on investments	89,894	100,000	(10,106)
Miscellaneous other	46,164	2,500	43,664
Total revenues	<u>27,341,700</u>	<u>28,331,636</u>	<u>(989,936)</u>
OTHER FINANCING SOURCES			
Other revenue	457,007	550,375	(93,368)
Transfer from:			
General fund	6,400,000	6,400,000	-
	<u>6,857,007</u>	<u>6,950,375</u>	<u>(93,368)</u>
Total revenues and other financing sources	<u>\$ 34,198,707</u>	<u>35,282,011</u>	<u>\$ (1,083,304)</u>
 Fund balance appropriated		<u>3,951,754</u>	
		<u>\$ 39,233,765</u>	
EXPENDITURES			
Administration	\$ 8,925,711	\$ 9,527,231	\$ (601,520)
Residential collection	17,797,875	19,382,045	(1,584,170)
Residential recycling	4,661,974	5,084,691	(422,717)
Yardwaste center	2,138,190	2,562,180	(423,990)
	<u>33,523,750</u>	<u>36,556,147</u>	<u>(3,032,397)</u>
DEBT SERVICE			
Note principal	1,317,917	1,318,668	(751)
Note interest	576,478	612,579	(36,101)
	<u>1,894,395</u>	<u>1,931,247</u>	<u>(36,852)</u>
Total expenditures	<u>35,418,145</u>	<u>38,487,394</u>	<u>(3,069,249)</u>
OTHER FINANCING USES			
Transfer to:			
SWS equipment replacement fund	500,000	500,000	-
Technology capital projects fund	246,371	246,371	-
Total other financing uses	<u>746,371</u>	<u>746,371</u>	<u>-</u>
Total expenditures and other financing uses	<u>\$ 36,164,516</u>	<u>\$ 39,233,765</u>	<u>\$ (3,069,249)</u>

**SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
SOLID WASTE SERVICES FUND
For the Fiscal Year Ended June 30, 2018**

RECONCILIATION OF MODIFIED ACCRUAL BASIS TO FULL ACCRUAL BASIS:

Total current year revenues and other financing sources - modified accrual basis	\$	34,198,707
Total current year expenditures and other financing uses - modified accrual basis		<u>36,164,516</u>
Deficiency of revenues and other financing sources over expenditures and other financing uses		(1,965,809)
Adjustments to full accrual basis:		
Amortization of refunding charges		(17,613)
Amortization of note premiums and discounts		145,772
Bond and note principal payments		1,317,917
Capital outlay		365,743
Depreciation		(812,327)
Interest expense accrual		(3,572)
Landfill closure/postclosure liability adjustment		(613,158)
Increase (decrease) in deferred outflows of resources - LGERS		(1,469,935)
(Increase) decrease in deferred inflows of resources - LGERS		1,216,443
Increase in pension liability - LGERS		46,688
(Increase) decrease in deferred inflows of resources - OPEB		(2,874,124)
Increase in pension liability - OPEB		3,165,953
Vacation expense		<u>(52,786)</u>
Change in net position per statement of revenues, expenses, and changes in fund net position	\$	<u><u>(1,550,808)</u></u>

Internal Service Funds

Internal Service Funds are used to account for centralized services provided on a cost-reimbursement basis. The City maintains six internal service funds for its risk management, health benefits, equipment replacement programs, and vehicle fleet services.

Internal Service Funds

Risk Management Fund

The Risk Management Fund accounts for risk management activities of the City, including premiums, claims expenses and loss reserves.

Employees' Health Benefits Fund

The Employees' Health Benefits Fund accounts for the City's and employees' contributions to a medical trust and its related costs, including claims and operating expenses.

Governmental Equipment Replacement Fund

The Governmental Equipment Replacement Fund accounts for the activities related to managing the equipment replacement program for governmental activities.

Solid Waste Services Equipment Replacement Fund

The Solid Waste Services Equipment Replacement Fund accounts for the activities related to managing the City's equipment replacement program for the City's Solid Waste Services Department.

Public Utilities Equipment Replacement Fund

The Public Utilities Equipment Replacement Fund accounts for the activities related to managing the City's equipment replacement program for the City's Public Utilities Department.

Vehicle Fleet Services Fund

The Vehicle Fleet Services Fund accounts for the activities related to the City's central garage operations.

**COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS**

June 30, 2018

	Risk Management Fund	Employees' Health Benefits Fund	Governmental Equipment Replacement Fund	Solid Waste Services Equipment Replacement Fund
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 41,416,447	\$ 13,765,610	\$ 407,665	\$ 162,442
Accrued interest receivable	136,578	17,583	-	-
Sales tax receivable	346	-	290,235	21,913
Other receivables	-	453,177	-	-
Inventories	-	-	-	-
Insurance deposit	800,000	-	-	-
Total current assets	42,353,371	14,236,370	697,900	184,355
Noncurrent assets:				
Restricted cash and cash equivalents	-	-	11,223,230	2,832,179
Capital assets:				
Buildings and machinery	-	-	-	-
Equipment	-	-	94,571,062	34,229,269
Less: accumulated depreciation	-	-	(63,380,944)	(22,100,082)
Total noncurrent assets	-	-	42,413,348	14,961,366
Total assets	42,353,371	14,236,370	43,111,248	15,145,721
DEFERRED OUTFLOWS OF RESOURCES				
Pension deferrals - LGERS	42,618	-	-	-
Total deferred outflows of resources	42,618	-	-	-
LIABILITIES				
Current liabilities:				
Accounts payable	37,804	-	319,523	23,019
Accrued salaries and employee payroll taxes	8,888	-	-	-
Accrued interest payable	-	-	92,475	27,935
Sales tax payable	-	-	-	-
Claims payable and other liabilities	5,450,521	1,866,000	-	-
Bonds, notes and loans payable	-	-	8,571,040	2,539,178
Total current liabilities	5,497,213	1,866,000	8,983,038	2,590,132
Noncurrent liabilities:				
Claims payable and other liabilities	12,026,512	-	-	-
Bonds, notes and loans payable	-	-	20,178,710	6,092,700
Net pension liability - LGERS	80,578	-	-	-
Net pension liability - OPEB	275,857	-	-	-
Earned vacation pay	27,940	-	-	-
Total noncurrent liabilities	12,410,887	-	20,178,710	6,092,700
Total liabilities	17,908,100	1,866,000	29,161,748	8,682,832
DEFERRED INFLOWS OF RESOURCES				
Pension deferrals - LGERS	7,311	-	-	-
Pension deferrals - OPEB	80,961	-	-	-
Total deferred inflows of resources	88,272	-	-	-
NET POSITION				
Net investment in capital assets	-	-	13,663,598	6,329,488
Unrestricted	24,399,617	12,370,370	285,902	133,401
Total net position	\$ 24,399,617	\$ 12,370,370	\$ 13,949,500	\$ 6,462,889

**COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS**

June 30, 2018

	Public Utilities Equipment Replacement Fund	Vehicle Fleet Services Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 4,163,581	\$ 852,996	\$ 60,768,741
Accrued interest receivable	-	-	154,161
Sales tax receivable	49,230	312,953	674,677
Other receivables	-	-	453,177
Inventories	-	645,256	645,256
Insurance deposit	-	-	800,000
Total current assets	4,212,811	1,811,205	63,496,012
Noncurrent assets:			
Restricted cash and cash equivalents	2,418,776	-	16,474,185
Capital assets:			
Buildings and machinery	-	230,912	230,912
Equipment	33,972,054	1,258,801	164,031,186
Less: accumulated depreciation	(22,190,715)	(1,320,152)	(108,991,893)
Total noncurrent assets	14,200,115	169,561	71,744,390
Total assets	18,412,926	1,980,766	135,240,402
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals - LGERS	-	546,935	589,553
Total deferred outflows of resources	-	546,935	589,553
LIABILITIES			
Current liabilities:			
Accounts payable	227,671	627,047	1,235,064
Accrued salaries and employee payroll taxes	-	94,774	103,662
Accrued interest payable	27,678	-	148,088
Sales tax payable	-	3,456	3,456
Claims payable and other liabilities	-	-	7,316,521
Bonds, notes and loans payable	3,631,626	-	14,741,844
Total current liabilities	3,886,975	725,277	23,548,635
Noncurrent liabilities:			
Claims payable and other liabilities	-	-	12,026,512
Bonds, notes and loans payable	6,101,240	-	32,372,650
Net pension liability - LGERS	-	1,034,078	1,114,656
Net pension liability - OPEB	-	3,540,172	3,816,029
Earned vacation pay	-	409,265	437,205
Total noncurrent liabilities	6,101,240	4,983,515	49,767,052
Total liabilities	9,988,215	5,708,792	73,315,687
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals - LGERS	-	93,823	101,134
Pension deferrals - OPEB	-	1,039,003	1,119,964
Total deferred inflows of resources	-	1,132,826	1,221,098
NET POSITION			
Net investment in capital assets	4,467,249	169,561	24,629,896
Unrestricted	3,957,462	(4,483,478)	36,663,274
Total net position	\$ 8,424,711	\$ (4,313,917)	\$ 61,293,170

**COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS**
For the Fiscal Year Ended June 30, 2018

	Risk Management Fund	Employees' Health Benefits Fund	Governmental Equipment Replacement Fund	Solid Waste Services Equipment Replacement Fund
OPERATING REVENUES				
Charges for services - internal	\$ 9,023,028	\$ 43,593,084	\$ 8,937,845	\$ 4,477,355
Other charges	-	-	-	-
Total operating revenues	9,023,028	43,593,084	8,937,845	4,477,355
OPERATING EXPENSES				
Personnel services	467,192	-	-	-
Other facility operating costs	-	-	133,119	-
Operational expenses	1,102,053	3,997,188	-	-
Claims	3,997,098	35,508,774	-	-
Premiums	1,637,343	-	-	-
Depreciation	-	-	8,610,488	3,646,499
Other	-	-	205,247	25,860
Total operating expenses	7,203,686	39,505,962	8,948,854	3,672,359
Operating income (loss)	1,819,342	4,087,122	(11,009)	804,996
NONOPERATING REVENUES (EXPENSES)				
Gain (loss) on investments	1,276,421	154,687	218,404	42,805
Recovery of claims	447,380	977,095	114,368	-
Interest expense	-	-	(608,077)	(194,518)
Gain (loss) on sale of property	-	-	600,333	149,235
Total nonoperating revenues (expenses)	1,723,801	1,131,782	325,028	(2,478)
Income (loss) before transfers	3,543,143	5,218,904	314,019	802,518
Transfers in	-	-	1,528,857	500,000
Transfers out	-	-	-	-
Change in net position	3,543,143	5,218,904	1,842,876	1,302,518
Net position, beginning of year	21,221,513	7,151,466	12,106,624	5,160,371
Restatement GASB 75 (Note 4.G.)	(365,039)	-	-	-
Total net position, beginning of year	20,856,474	7,151,466	12,106,624	5,160,371
Total net position, end of year	\$ 24,399,617	\$ 12,370,370	\$ 13,949,500	\$ 6,462,889

**COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS**
For the Fiscal Year Ended June 30, 2018

	Public Utilities Equipment Replacement Fund	Vehicle Fleet Services Fund	Total
OPERATING REVENUES			
Charges for services - internal	\$ 4,682,183	\$ 12,818,793	\$ 83,532,288
Other charges	-	6,543	6,543
Total operating revenues	4,682,183	12,825,336	83,538,831
OPERATING EXPENSES			
Personnel services	-	5,088,477	5,555,669
Other facility operating costs	-	9,110,401	9,243,520
Operational expenses	-	-	5,099,241
Claims	-	-	39,505,872
Premiums	-	-	1,637,343
Depreciation	2,956,545	28,375	15,241,907
Other	50,424	-	281,531
Total operating expenses	3,006,969	14,227,253	76,565,083
Operating income (loss)	1,675,214	(1,401,917)	6,973,748
NONOPERATING REVENUES (EXPENSES)			
Gain (loss) on investments	46,551	-	1,738,868
Recovery of claims	-	-	1,538,843
Interest expense	(191,704)	-	(994,299)
Gain (loss) on sale of property	532,291	10,592	1,292,451
Total nonoperating revenues (expenses)	387,138	10,592	3,575,863
Income (loss) before transfers	2,062,352	(1,391,325)	10,549,611
Transfers in	-	140,000	2,168,857
Transfers out	-	(69,141)	(69,141)
Change in net position	2,062,352	(1,320,466)	12,649,327
Net position, beginning of year	6,362,359	1,691,220	53,693,553
Restatement GASB 75 (Note 4.G.)	-	(4,684,671)	(5,049,710)
Total net position, beginning of year	6,362,359	(2,993,451)	48,643,843
Total net position, end of year	\$ 8,424,711	\$ (4,313,917)	\$ 61,293,170

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS**

For the Fiscal Year Ended June 30, 2018

	Risk Management Fund	Employees' Health Benefits Fund	Governmental Equipment Replacement Fund	Solid Waste Services Equipment Replacement Fund
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 9,023,028	\$ 43,593,084	\$ 8,937,845	\$ 4,477,355
Payments to employees	(457,567)	-	-	-
Payments to suppliers and service providers	(1,062,387)	(3,995,784)	(145,836)	(6,693)
Claims paid	(4,115,967)	(36,190,697)	-	-
Premiums paid	(1,637,343)	-	-	-
Other receipts	447,380	977,095	114,368	-
Other payments	-	-	(205,247)	(25,860)
Net cash provided by (used in) operating activities	<u>2,197,144</u>	<u>4,383,698</u>	<u>8,701,130</u>	<u>4,444,802</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Insurance deposits	(400,000)	-	-	-
Operating subsidies and transfers from other funds	-	-	1,528,857	-
Operating subsidies and transfers to other funds	-	-	-	-
Internal activity - payments from (to) other funds	1,177	-	(1,177)	176,144
Net cash provided by (used in) noncapital financing activities	<u>(398,823)</u>	<u>-</u>	<u>1,527,680</u>	<u>176,144</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase and construction of capital assets	-	-	(14,799,953)	(2,938,855)
Principal paid on capital debt	-	-	(10,991,078)	(5,780,541)
Interest paid on capital debt	-	-	(540,316)	(173,581)
Proceeds from sale of property	-	-	600,333	149,235
Net cash provided by (used in) capital and related financing activities	<u>-</u>	<u>-</u>	<u>(25,731,014)</u>	<u>(8,743,742)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Gain (loss) on investments held	1,284,422	141,992	218,404	42,805
Net cash provided by (used in) investing activities	<u>1,284,422</u>	<u>141,992</u>	<u>218,404</u>	<u>42,805</u>
Net increase (decrease) in cash and cash equivalents/investments	<u>3,082,743</u>	<u>4,525,690</u>	<u>(15,283,800)</u>	<u>(4,079,991)</u>
Cash and cash equivalents/investments				
Beginning of year	38,333,704	9,239,920	26,914,695	7,074,612
End of year	<u>\$ 41,416,447</u>	<u>\$ 13,765,610</u>	<u>\$ 11,630,895</u>	<u>\$ 2,994,621</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 1,819,342	\$ 4,087,122	\$ (11,009)	\$ 804,996
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation expense	-	-	8,610,488	3,646,499
Miscellaneous nonoperating income	447,380	977,095	114,368	-
Change in assets and liabilities:				
Sales tax receivable	2,661	1,404	2,382	(6,693)
Inventories	-	-	-	-
Other receivables and assets	410,699	(404,923)	-	-
Accounts payable and other accrued liabilities	(492,563)	(277,000)	(15,099)	-
(Increase) decrease in deferred outflows of resources - LGERS	41,407	-	-	-
Increase (decrease) in deferred inflows of resources - LGERS	(1,315)	-	-	-
Increase (decrease) in pension liability - LGERS	(34,266)	-	-	-
Increase (decrease) in deferred inflows of resources - OPEB	80,961	-	-	-
Increase (decrease) in pension liability - OPEB	(89,182)	-	-	-
Earned vacation pay and other payroll liabilities	12,020	-	-	-
Total adjustments	<u>377,802</u>	<u>296,576</u>	<u>8,712,139</u>	<u>3,639,806</u>
Net cash provided by (used in) operating activities	<u>\$ 2,197,144</u>	<u>\$ 4,383,698</u>	<u>\$ 8,701,130</u>	<u>\$ 4,444,802</u>
Noncash investing, capital, and financing activities				
Restatement for GASB 75	<u>\$ 365,039</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS**

For the Fiscal Year Ended June 30, 2018

	Public Utilities Equipment Replacement Fund	Vehicle Fleet Services Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 4,682,183	\$ 12,818,793	\$ 83,532,288
Payments to employees	-	(5,038,006)	(5,495,573)
Payments to suppliers and service providers	181,728	(8,948,608)	(13,977,580)
Claims paid	-	-	(40,306,664)
Premiums paid	-	-	(1,637,343)
Other receipts	-	6,543	1,545,386
Other payments	(50,424)	-	(281,531)
Net cash provided by (used in) operating activities	<u>4,813,487</u>	<u>(1,161,278)</u>	<u>23,378,983</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Insurance deposits	-	-	(400,000)
Operating subsidies and transfers from other funds	-	140,000	1,668,857
Operating subsidies and transfers to other funds	-	(69,141)	(69,141)
Internal activity - payments from (to) other funds	323,856	-	500,000
Net cash provided by (used in) noncapital financing activities	<u>323,856</u>	<u>70,859</u>	<u>1,699,716</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase and construction of capital assets	(2,217,048)	(12,402)	(19,968,258)
Principal paid on capital debt	(4,185,260)	-	(20,956,879)
Interest paid on capital debt	(181,451)	-	(895,348)
Proceeds from sale of property	532,291	10,592	1,292,451
Net cash provided by (used in) capital and related financing activities	<u>(6,051,468)</u>	<u>(1,810)</u>	<u>(40,528,034)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Gain (loss) on investments held	46,551	-	1,734,174
Net cash provided by (used in) investing activities	<u>46,551</u>	<u>-</u>	<u>1,734,174</u>
Net increase (decrease) in cash and cash equivalents/investments	<u>(867,574)</u>	<u>(1,092,229)</u>	<u>(13,715,161)</u>
Cash and cash equivalents/investments			
Beginning of year	7,449,931	1,945,225	90,958,087
End of year	<u>\$ 6,582,357</u>	<u>\$ 852,996</u>	<u>\$ 77,242,926</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ 1,675,214	\$ (1,401,917)	\$ 6,973,748
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation expense	2,956,545	28,375	15,241,907
Miscellaneous nonoperating income	-	-	1,538,843
Change in assets and liabilities:			
Sales tax receivable	181,728	13,593	195,075
Inventories	-	52,574	52,574
Other receivables and assets	-	-	5,776
Accounts payable and other accrued liabilities	-	95,626	(689,036)
(Increase) decrease in deferred outflows of resources - LGERS	-	531,385	572,792
Increase (decrease) in deferred inflows of resources - LGERS	-	(16,878)	(18,193)
Increase (decrease) in pension liability - LGERS	-	(439,747)	(474,013)
Increase (decrease) in deferred inflows of resources - OPEB	-	1,039,003	1,119,964
Increase (decrease) in pension liability - OPEB	-	(1,144,499)	(1,233,681)
Earned vacation pay and other payroll liabilities	-	81,207	93,227
Total adjustments	<u>3,138,273</u>	<u>240,639</u>	<u>16,405,235</u>
Net cash provided by (used in) operating activities	<u>\$ 4,813,487</u>	<u>\$ (1,161,278)</u>	<u>\$ 23,378,983</u>
Noncash investing, capital, and financing activities			
Restatement for GASB 75	<u>\$ -</u>	<u>\$ 4,684,671</u>	<u>\$ 5,049,710</u>

Fiduciary Funds

The **Fiduciary Funds** are used to account for resources received and held by the City as the trustee or for which the City acts as agent. These funds are expended or invested in accordance with agreements or applicable prescribed procedures.

The City's fiduciary funds include two pension trust funds, which account for activities of the City's general supplemental retirement plan and other post employment benefits.

Fiduciary Funds

Supplemental Money Purchase Pension Plan Fund

The Supplemental Money Purchase Pension Plan Fund accounts for the City's contributions to the City of Raleigh Money Purchase Pension Plan, a Section 401a plan established to provide supplemental retirement benefits to eligible general government employees. Plan assets are held by the City through a third party in a fiduciary capacity.

Other Post Employment Benefits Fund

The Other Post Employment Benefits Fund accounts for the City's contributions and retirees' contributions to health, life insurance, and Medicare supplement benefits provided to eligible retirees.

COMBINING STATEMENT OF NET POSITION
PENSION TRUST FUNDS
June 30, 2018

	Supplemental Money Purchase Pension Plan	Other Post Employment Benefits Trust	Total
ASSETS			
Cash and cash equivalents	\$ 65,299,620	\$ 38,398,530	\$ 103,698,150
Accrued interest receivable	-	8,920	8,920
Due from other funds	-	174,858	174,858
Other receivables	-	141,149	141,149
Total assets	<u>65,299,620</u>	<u>38,723,457</u>	<u>104,023,077</u>
LIABILITIES			
Claims payable	-	1,066,000	1,066,000
Accounts payable	-	12,931	12,931
Total liabilities	<u>-</u>	<u>1,078,931</u>	<u>1,078,931</u>
NET POSITION			
Restricted for pensions	65,299,620	-	65,299,620
Restricted for postemployment benefits other than pensions	-	37,644,526	37,644,526
Total net position	<u>\$ 65,299,620</u>	<u>\$ 37,644,526</u>	<u>\$ 102,944,146</u>

**COMBINING STATEMENT OF CHANGES
IN PLAN NET POSITION
PENSION TRUST FUNDS
For the Fiscal Year Ended June 30, 2018**

	Supplemental Money Purchase Pension Plan	Other Post Employment Benefits Trust	Total
ADDITIONS			
Employer contributions	\$ 4,518,338	\$ 16,539,000	\$ 21,057,338
Retiree contributions	-	2,709,311	2,709,311
Interest	2,231,466	1,476,085	3,707,551
Gain (loss) on investments	-	3,118,245	3,118,245
Net increase (decrease) in the fair value of investments	3,571,156	(1,942,875)	1,628,281
Recovery of claims	-	437,693	437,693
Total additions	<u>10,320,960</u>	<u>22,337,459</u>	<u>32,658,419</u>
DEDUCTIONS			
Benefits	3,451,201	16,421,518	19,872,719
Withdrawals and forfeitures	522,458	-	522,458
Investment expense	102,656	-	102,656
Professional services	-	72,496	72,496
Total deductions	<u>4,076,315</u>	<u>16,494,014</u>	<u>20,570,329</u>
Change in net position restricted for employees' retirement and other post-employment benefits	6,244,645	5,843,445	12,088,090
Net position, beginning of year	59,054,975	31,801,081	90,856,056
Net position, end of year	<u>\$ 65,299,620</u>	<u>\$ 37,644,526</u>	<u>\$ 102,944,146</u>



STATISTICAL SECTION

The *Statistical Section* presents detailed information on financial trends, revenue capacity, debt capacity, demographic and economic information, and operating information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the City's overall health.



RALEIGH
UNION STATION

Statistical Schedules

This part of the Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the government provides and the activities it performs.

NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
 (accrual basis of accounting)
 (amounts expressed in thousands)

	Fiscal Year				
	2009	2010	2011	2012	2013
Governmental activities					
Net investment in capital assets	\$ 525,177	\$ 559,035	\$ 574,134	\$ 563,336	\$ 570,848
Restricted	120,517	112,849	203,561	294,462	264,363
Unrestricted	162,693	135,746	61,324	7,234	89,096
Total governmental activities net position	808,387	807,630	839,019	865,032	924,307
Business-type activities					
Net investment in capital assets	682,123	682,642	692,069	703,484	717,882
Unrestricted	111,066	124,426	147,898	175,696	213,088
Total business-type activities net position	793,189	807,068	839,967	879,180	930,970
Total government					
Net investment in capital assets	1,207,300	1,241,677	1,266,203	1,266,820	1,288,730
Restricted	120,517	112,849	203,561	294,462	264,363
Unrestricted	273,759	260,172	209,222	182,930	302,184
Total government net position	\$ 1,601,576	\$ 1,614,698	\$ 1,678,986	\$ 1,744,212	\$ 1,855,277

NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
 (accrual basis of accounting)
 (amounts expressed in thousands)

	Fiscal Year				
	2014	2015	2016	2017	2018
Governmental activities					
Net investment in capital assets	\$ 568,329	\$ 601,802	\$ 597,711	\$ 656,258	\$ 695,890
Restricted	285,736	315,650	346,933	382,018	363,161
Unrestricted	101,746	68,728	107,327	39,911	(80,377)
Total governmental activities net position	<u>955,811</u>	<u>986,180</u>	<u>1,051,971</u>	<u>1,078,187</u>	<u>978,674</u>
Business-type activities					
Net investment in capital assets	730,664	763,249	798,997	855,401	937,859
Unrestricted	261,284	318,455	374,419	433,114	389,162
Total business-type activities net position	<u>991,948</u>	<u>1,081,704</u>	<u>1,173,416</u>	<u>1,288,515</u>	<u>1,327,021</u>
Total government					
Net investment in capital assets	1,298,993	1,365,051	1,396,708	1,511,659	1,633,749
Restricted	285,736	315,650	346,933	382,018	363,161
Unrestricted	363,030	387,183	481,746	473,025	308,785
Total government net position	<u>\$ 1,947,759</u>	<u>\$ 2,067,884</u>	<u>\$ 2,225,387</u>	<u>\$ 2,366,702</u>	<u>\$ 2,305,695</u>

CHANGES IN NET POSITION LAST TEN FISCAL YEARS

(accrual basis of accounting)

(amounts expressed in thousands)

	Fiscal Year				
	2009	2010	2011	2012	2013
Expenses					
Governmental activities:					
General government	\$ 36,884	\$ 51,866	\$ 57,866	\$ 52,370	\$ 39,185
Community development services	22,269	25,247	25,695	25,031	25,084
Public infrastructure	54,530	44,084	42,207	51,828	48,525
Public safety	136,331	143,480	145,189	141,602	142,121
Solid waste services (2)	24,460	23,769	24,453	23,621	-
Leisure services	49,674	53,314	56,473	60,265	56,160
Economic development programs	4,399	4,375	5,710	5,656	4,601
Interest on long-term debt	11,541	13,516	14,401	11,043	14,816
Total governmental activities expenses	340,088	359,651	371,994	371,416	330,492
Business-type activities:					
Water and sewer	136,935	129,034	134,033	133,804	135,146
Convention center	28,409	33,889	35,130	34,106	34,058
Mass transit	28,552	28,724	30,358	34,769	33,766
Parking facilities	8,874	11,307	12,043	11,699	11,826
Solid waste services (3)	-	-	-	-	27,919
Stormwater (1)	8,728	10,249	9,980	10,583	11,209
Total business-type activities	211,498	213,203	221,544	224,961	253,924
Total government expenses	\$ 551,586	\$ 572,854	\$ 593,538	\$ 596,377	\$ 584,416
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 854	\$ -	\$ 16,362	\$ 9,293	\$ 9,906
Community development services	8,042	13,417	7,637	5,326	5,316
Public infrastructure	3,040	4,592	7,792	8,308	10,607
Public safety	3,248	2,862	337	337	333
Solid waste services (2)	16,840	16,600	18,472	18,054	-
Leisure services	8,749	11,924	17,843	20,199	19,252
Economic development programs	966	981	906	277	53
Operating grants and contributions	32,338	11,913	40,557	41,706	35,942
Capital grants and contributions	19,434	29,968	18,211	17,210	20,887
Total governmental activities program revenues	93,511	92,257	128,117	120,710	102,296
Business-type activities:					
Charges for services:					
Water and sewer	112,280	137,228	150,648	171,221	186,969
Convention center	13,269	12,394	11,857	12,490	12,231
Mass transit	3,314	4,466	5,001	5,216	5,194
Parking facilities	8,467	7,815	10,288	10,838	10,772
Solid waste services	-	-	-	-	19,515
Stormwater	14,413	14,213	15,657	15,521	16,025
Operating grants and contributions	6,281	5,245	3,438	7,505	9,328
Capital grants and contributions	20,024	12,198	21,108	6,032	7,139
Total business-type activities program revenues	178,048	193,559	217,997	228,823	267,173
Total government program revenues	\$ 271,559	\$ 285,816	\$ 346,114	\$ 349,533	\$ 369,469
Net (expense)/revenue					
Governmental activities	\$ (246,577)	\$ (267,394)	\$ (243,877)	\$ (250,706)	\$ (228,196)
Business-type activities	(33,450)	(19,644)	(3,547)	3,862	13,249
Total government net expense	\$ (280,027)	\$ (287,038)	\$ (247,424)	\$ (246,844)	\$ (214,947)

CHANGES IN NET POSITION LAST TEN FISCAL YEARS

(accrual basis of accounting)

(amounts expressed in thousands)

	Fiscal Year				
	2014	2015	2016	2017	2018
Expenses					
Governmental activities:					
General government	\$ 40,754	\$ 37,368	\$ 46,408	\$ 47,446	\$ 53,954
Community development services	23,193	22,867	20,081	30,613	28,276
Public infrastructure	57,944	50,719	58,186	69,785	71,552
Public safety	155,623	147,887	156,680	167,155	168,747
Solid waste services (2)	-	-	-	-	-
Leisure services	61,695	63,835	66,795	63,483	62,672
Economic development programs	7,930	4,868	6,979	3,331	5,474
Interest on long-term debt	16,646	18,735	20,876	19,302	18,931
Total governmental activities expenses	363,785	346,279	376,005	401,115	409,606
Business-type activities:					
Water and sewer	144,960	146,919	152,921	162,002	169,217
Convention center	33,861	33,886	34,702	34,158	34,628
Mass transit	35,387	37,854	38,180	41,319	42,091
Parking facilities	11,782	11,456	12,404	12,506	12,989
Solid waste services (2)	30,482	28,450	32,330	30,683	34,051
Stormwater (1)	10,444	12,205	13,346	15,131	16,648
Total business-type activities	266,916	270,770	283,883	295,799	309,624
Total government expenses	\$ 630,701	\$ 617,049	\$ 659,888	\$ 696,914	\$ 719,230
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 10,775	\$ 14,697	\$ 13,564	\$ 21,427	\$ 22,895
Community development services	7,398	1,902	1,346	1,485	273
Public infrastructure	8,667	12,950	11,004	9,466	1,102
Public safety	285	448	458	414	-
Solid waste services (2)	-	-	-	-	-
Leisure services	15,822	16,189	17,187	12,073	10,368
Economic development programs	128	2	-	-	-
Operating grants and contributions	32,434	35,296	39,775	37,526	41,502
Capital grants and contributions	8,689	10,080	11,843	26,459	37,632
Total governmental activities program revenues	84,198	91,564	95,177	108,850	113,772
Business-type activities:					
Charges for services:					
Water and sewer	197,947	213,298	228,211	240,163	255,568
Convention center	12,950	13,342	13,785	15,085	14,736
Mass transit	5,441	7,356	7,118	6,720	5,707
Parking facilities	12,330	13,417	15,022	15,784	16,259
Solid waste services	22,162	24,170	26,104	27,281	27,709
Stormwater	16,972	17,459	17,939	22,725	23,043
Operating grants and contributions	6,757	9,029	7,685	12,332	11,272
Capital grants and contributions	3,831	13,688	4,835	9,923	5,910
Total business-type activities program revenues	278,390	311,759	320,699	350,013	360,204
Total government program revenues	\$ 362,588	\$ 403,323	\$ 415,876	\$ 458,863	\$ 473,976
Net (expense)/revenue					
Governmental activities	\$ (279,587)	\$ (254,715)	\$ (280,828)	\$ (292,265)	\$ (295,834)
Business-type activities	11,474	40,989	36,816	54,214	50,580
Total government net expense	\$ (268,113)	\$ (213,726)	\$ (244,012)	\$ (238,051)	\$ (245,254)

Continued

CHANGES IN NET POSITION LAST TEN FISCAL YEARS

(accrual basis of accounting)

(amounts expressed in thousands)

	Fiscal Year				
	2009	2010	2011	2012	2013
General Revenues and Change in Net Position					
Governmental activities:					
Taxes					
Property taxes	\$ 180,534	\$ 184,697	\$ 186,379	\$ 189,422	\$ 195,568
Local sales tax	62,442	58,651	61,776	67,828	71,115
Franchise tax	23,438	22,500	22,634	21,190	21,313
Other taxes	9,119	5,473	13,937	11,875	11,517
Privilege license tax	19,627	19,098	7,166	7,663	7,949
Unrestricted grants and contributions	-	-	-	-	-
Investment earnings	10,632	1,703	5,280	946	1,204
Miscellaneous	3,250	5,659	11,182	11,982	20,416
Transfers	(24,423)	(31,144)	(32,231)	(34,186)	(41,210)
Gain on sale of property	-	-	-	-	-
Capital contributions	-	-	-	-	-
Total governmental activities	<u>284,619</u>	<u>266,637</u>	<u>276,123</u>	<u>276,720</u>	<u>287,872</u>
Business-type activities:					
Investment earnings	10,632	2,379	3,357	1,165	253
Transfers	24,423	31,144	32,231	34,186	41,210
Gain on the sale of property	2,075	-	-	-	-
Capital contributions	-	-	-	-	-
Total business-type activities	<u>37,130</u>	<u>33,523</u>	<u>35,588</u>	<u>35,351</u>	<u>41,463</u>
Total government general revenues	<u>\$ 321,749</u>	<u>\$ 300,160</u>	<u>\$ 311,711</u>	<u>\$ 312,071</u>	<u>\$ 329,335</u>
 Change in Net Position					
Governmental activities	\$ 38,042	\$ (757)	\$ 32,246	\$ 26,014	\$ 59,676
Business-type activities	3,680	13,879	32,041	39,213	54,712
Total government change in net position	<u>\$ 41,722</u>	<u>\$ 13,122</u>	<u>\$ 64,287</u>	<u>\$ 65,227</u>	<u>\$ 114,388</u>

Notes:

- (1) The City converted the Stormwater Projects fund into the enterprise Stormwater Utility fund effective FY11.
- (2) The City began reporting the solid waste services operations as an enterprise fund effective FY13. Prior to that, the operations were included as part of the City's general fund.

CHANGES IN NET POSITION LAST TEN FISCAL YEARS

(accrual basis of accounting)

(amounts expressed in thousands)

	Fiscal Year				
	2014	2015	2016	2017	2018
General Revenues and Change in Net Position					
Governmental activities:					
Taxes					
Property taxes	\$ 203,513	\$ 214,288	\$ 227,723	\$ 243,511	\$ 252,991
Local sales tax	76,004	82,864	88,837	92,879	97,394
Franchise tax	21,944	28,552	29,311	28,699	29,425
Other taxes	23,216	20,124	21,526	30,341	39,794
Privilege license tax	7,512	4,282	93	-	-
Unrestricted grants and contributions	-	-	-	-	-
Investment earnings	5,045	2,288	3,257	4,501	5,000
Miscellaneous	13,821	18,191	16,293	12,280	2,116
Transfers	(46,235)	(54,858)	(51,072)	(55,334)	(50,803)
Gain on sale of property	6,271	256	7,574	4,196	3,455
Capital contributions	-	-	-	(2,723)	-
Total governmental activities	<u>311,091</u>	<u>315,987</u>	<u>343,542</u>	<u>358,350</u>	<u>379,372</u>
Business-type activities:					
Investment earnings	3,269	2,029	3,824	3,032	4,723
Transfers	46,235	54,858	51,072	54,984	50,803
Gain on the sale of property	-	-	-	145	769
Capital contributions	-	-	-	2,723	-
Total business-type activities	<u>49,504</u>	<u>56,887</u>	<u>54,896</u>	<u>60,884</u>	<u>56,295</u>
Total government general revenues	<u>\$ 360,595</u>	<u>\$ 372,874</u>	<u>\$ 398,438</u>	<u>\$ 419,234</u>	<u>\$ 435,667</u>
 Change in Net Position					
Governmental activities	\$ 31,504	\$ 61,272	\$ 62,714	\$ 66,085	\$ 83,538
Business-type activities	60,978	97,876	91,712	115,098	106,875
Total government change in net position	<u>\$ 92,482</u>	<u>\$ 159,148</u>	<u>\$ 154,426</u>	<u>\$ 181,183</u>	<u>\$ 190,413</u>

FUND BALANCES, GOVERNMENTAL FUNDS**LAST TEN FISCAL YEARS**

(modified accrual basis of accounting)

(amounts expressed in thousands)

	Fiscal Year				
	2009	2010	2011	2012	2013
General fund					
Reserved	\$ 43,647	\$ 49,722	\$ -	\$ -	\$ -
Unreserved	116,900	116,162	-	-	-
Nonspendable	-	-	3,090	3,415	3,020
Restricted	-	-	40,783	43,367	40,302
Committed	-	-	-	66,317	68,466
Assigned	-	-	72,987	34,305	35,446
Unassigned	-	-	58,176	62,813	67,990
Total general fund	<u>\$ 160,547</u>	<u>\$ 165,884</u>	<u>\$ 175,036</u>	<u>\$ 210,217</u>	<u>\$ 215,224</u>
 All other governmental funds					
Reserved	\$ 37,361	\$ 36,105	\$ -	\$ -	\$ -
Unreserved, reported in:					
Special revenue funds	11,917	127,157	-	-	-
Capital projects funds	126,845	7,027	-	-	-
Nonspendable	-	-	-	-	-
Restricted	-	-	36,177	35,793	37,031
Assigned	-	-	123,024	215,302	187,964
Total all other governmental funds	<u>\$ 176,123</u>	<u>\$ 170,289</u>	<u>\$ 159,201</u>	<u>\$ 251,095</u>	<u>\$ 224,995</u>

Notes:

2010 and earlier amounts have not been restated for the implementation of GASB Statement 54.

FUND BALANCES, GOVERNMENTAL FUNDS**LAST TEN FISCAL YEARS**

(modified accrual basis of accounting)

(amounts expressed in thousands)

	Fiscal Year				
	2014	2015	2016	2017	2018
General fund					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-	-
Nonspendable	3,153	3,976	4,762	4,823	8,277
Restricted	46,800	54,396	55,361	56,389	59,670
Committed	67,776	-	2,898	3,924	4,088
Assigned	35,870	108,058	120,418	132,624	135,791
Unassigned	73,080	83,397	84,784	76,757	74,033
Total general fund	<u>\$ 226,679</u>	<u>\$ 249,827</u>	<u>\$ 268,223</u>	<u>\$ 274,517</u>	<u>\$ 281,859</u>
 All other governmental funds					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:					
Special revenue funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Nonspendable	11,625	69,510	72,920	72,483	-
Restricted	40,478	38,360	41,491	43,056	46,493
Assigned	186,832	215,969	176,675	210,091	256,998
Total all other governmental funds	<u>\$ 238,935</u>	<u>\$ 323,839</u>	<u>\$ 291,086</u>	<u>\$ 325,630</u>	<u>\$ 303,491</u>

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year				
	2009	2010	2011	2012	2013
Revenues					
Ad valorem taxes	\$ 180,362	\$ 184,930	\$ 186,625	\$ 189,486	\$ 195,392
Intergovernmental	65,815	64,174	87,156	85,624	85,143
Project revenue (non-grant)	-	-	-	-	-
Non-governmental	-	-	-	-	-
Developer participation	141	15	2,313	510	57
Assessments	527	493	562	1,336	1,124
Franchise tax (4)	-	-	-	-	-
Local sales tax	62,442	58,651	61,776	67,828	71,115
Licenses	19,627	19,098	19,671	21,050	21,280
Gain (loss) on investments	9,764	3,853	5,000	1,683	1
Inspection fees	8,517	7,408	7,164	7,695	9,291
Highway maintenance refunds	1,104	1,242	786	772	1,125
Facility fees	4,040	4,084	7,310	6,632	9,571
Parks and recreation fees (5)	-	-	-	-	-
Other fees and charges	30,975	30,995	32,429	37,175	18,900
Rents	374	437	514	787	649
Program income	2,691	2,188	2,536	2,619	2,340
Donations and contributions (6)	-	-	-	-	-
Other revenues	2,410	2,149	1,589	1,831	2,467
Miscellaneous	3,461	2,022	1,024	745	875
Total revenues	392,250	381,739	416,455	425,773	419,330
Expenditures					
General government	35,998	34,791	42,096	38,709	36,724
Community development services	26,652	25,421	25,332	25,268	25,388
Public works	22,054	21,762	24,723	23,143	22,215
Public infrastructure	-	-	-	-	-
Public safety	136,794	143,173	145,251	144,448	144,463
Solid waste services (2)	25,091	24,043	24,949	24,556	-
Leisure services	42,073	43,973	49,415	54,355	50,023
Economic development programs	4,399	4,375	5,710	5,656	2,312
Other expenditures	36	-	3	402	2,290
Capital outlay	101,497	94,470	73,332	78,785	66,279
Debt service					
Principal	20,125	20,717	26,900	26,699	30,371
Interest	10,021	13,195	13,494	12,601	15,841
Other debt service expenditures	335	335	572	652	436
Total expenditures	425,075	426,255	431,777	435,274	396,342
Other financing sources (uses)					
Transfers in	36,820	23,253	26,759	27,185	32,982
Transfers out	(59,991)	(52,146)	(60,307)	(56,101)	(77,063)
Proceeds from sale of property	-	177	-	-	-
Bonds issuance	56,281	109,550	46,430	147,600	-
Premium on bonds issued	-	6,405	1,360	17,765	-
Premium on refunding bond issued	-	-	-	5,331	-
Refunding bonds issuance	14,759	52,197	-	33,925	-
Payments to escrow agent	(14,284)	(95,418)	-	(39,129)	-
Total other financing sources (uses)	33,585	44,018	14,242	136,576	(44,081)
Net change in fund balances	\$ 760	\$ (498)	\$ (1,080)	\$ 127,075	\$ (21,093)
Debt service as a percentage of noncapital expenditures (1)	8.85%	9.95%	11.17%	10.74%	13.97%

(1) Capital outlay component of ratio calculation included as follows:
2008-2017 - capital outlay as per reconciliation of statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities

(2) The City began reporting the solid waste services operations as an enterprise fund effective FY13. Prior to that, the operations were included as part of the City's general fund.

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS**LAST TEN FISCAL YEARS**

(modified accrual basis of accounting)

(amounts expressed in thousands)

	Fiscal Year				
	2014	2015	2016	2017	2018
Revenues					
Ad valorem taxes	\$ 204,623	\$ 215,042	\$ 227,934	\$ 243,503	\$ 252,969
Intergovernmental	76,861	87,900	94,840	104,716	83,871
Project revenue (non-grant)	-	-	-	3,650	2,092
Non-governmental	42	80	3	46	128
Developer participation	164	-	-	-	-
Assessments	1,119	1,270	1,294	1,427	1,349
Franchise tax (4)	-	-	-	-	29,425
Local sales tax	76,004	82,864	88,837	92,879	97,394
Licenses	24,906	19,506	14,772	15,087	14,910
Gain (loss) on investments	4,588	2,851	4,614	3,810	5,434
Inspection fees	10,830	12,416	12,757	12,250	16,664
Highway maintenance refunds	899	1,393	857	1,148	1,079
Facility fees	7,663	11,990	9,891	8,235	9,627
Parks and recreation fees (5)	-	-	-	-	6,368
Other fees and charges	15,495	15,488	16,087	16,869	7,028
Rents	548	857	719	763	2,475
Program income	2,384	1,180	902	878	1,346
Donations and contributions (6)	-	-	-	-	3,700
Other revenues	1,916	2,941	2,987	2,567	1,230
Miscellaneous	284	-	-	-	-
Total revenues	<u>428,326</u>	<u>455,778</u>	<u>476,494</u>	<u>507,828</u>	<u>537,089</u>
Expenditures					
General government	38,112	40,352	46,090	45,825	52,700
Community development services	23,364	23,067	19,952	30,421	30,529
Public works	26,022	81,695	75,675	-	-
Public infrastructure (3)	-	-	-	114,548	103,318
Public safety	148,450	185,497	188,839	169,281	179,130
Solid waste services (2)	-	-	-	-	-
Leisure services	53,898	79,384	118,035	67,667	65,968
Economic development programs	7,931	4,868	6,979	3,331	5,474
Other expenditures	-	-	-	-	-
Capital outlay	92,753	-	-	-	-
Debt service	-	-	-	-	-
Principal	30,203	31,726	34,400	40,092	43,399
Interest	17,316	19,602	21,362	21,201	21,488
Other debt service expenditures	333	597	746	921	326
Total expenditures	<u>438,382</u>	<u>466,788</u>	<u>512,078</u>	<u>493,287</u>	<u>502,332</u>
Other financing sources (uses)					
Transfers in	43,554	35,916	40,338	52,318	42,617
Transfers out	(88,499)	(87,878)	(90,990)	(103,992)	(95,019)
Proceeds from sale of property	6,271	256	7,574	4,196	2,848
Bonds issuance	-	-	-	68,000	-
Premium on bonds issued	73,377	103,231	335	5,775	-
Premium on refunding bond issued	4,490	8,507	-	-	-
Refunding bonds issuance	5,885	-	60,892	-	-
Payments to escrow agent	(9,626)	-	-	-	-
Total other financing sources (uses)	<u>35,452</u>	<u>60,032</u>	<u>18,149</u>	<u>26,297</u>	<u>(49,554)</u>
Net change in fund balances	<u>\$ 25,396</u>	<u>\$ 49,022</u>	<u>\$ (17,435)</u>	<u>\$ 40,838</u>	<u>\$ (14,797)</u>
Debt service as a percentage of noncapital expenditures (1)	13.53%	14.68%	15.39%	15.69%	16.24%

(3) Public works changed to public infrastructure in FY 2017 as part of a City-wide department reorganization effort.

(4) (5) (6) For better transparency, The City broke out franchise tax (4), parks and recreation fees (5) and donations and contributions (6) into separate lines on the appropriate statements starting FY18. Prior to that, they were included in miscellaneous and other revenues.

**ASSESSED VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS**
(in thousands of dollars)

Fiscal Year	Real Property	Personal Property	Corporate Excess	Total Taxable Assessed Value	Property Tax Rate (Per \$100 Assessed Value)
2009	\$ 42,825,483	\$ 5,478,583	\$ 740,108	\$ 49,044,174 (1)	0.3735
2010	43,901,186	5,303,143	687,150	49,891,479	0.3735
2011	44,147,844	5,260,838	654,892	50,063,574	0.3735
2012	44,414,047	5,467,141	659,756	50,540,944	0.3735
2013	44,786,140	5,752,586	655,403	51,194,129	0.3826
2014	45,123,087	6,855,399	719,248	52,697,734	0.3826
2015	45,837,276	6,170,996	717,557	52,725,829	0.4038
2016	46,568,861	6,350,280	806,368	53,725,509	0.4210
2017	50,892,976	6,752,840	819,339	58,465,155 (1)	0.4183
2018	51,426,935	6,927,715	840,898	59,195,548	0.4253

Notes:

(1) Increase due to revaluation of property every eight years.

This schedule does not include valuations on property owned by the State of North Carolina, United States Government, charitable institutions, etc., not subject to taxation.

Assessed valuations are established at 100% of estimated market value for real property and 100% of actual value for personal property.

Source:

Wake County Tax Administrator

**PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
(PER \$100 OF ASSESSED VALUE)
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>		<u>City Rate</u>	<u>Wake County Rate</u>		<u>Total</u>
2009	(1)	0.3735	0.5340		0.9075
2010		0.3735	0.5340		0.9075
2011		0.3735	0.5340		0.9075
2012		0.3735	0.5340		0.9075
2013		0.3826	0.5340		0.9166
2014		0.3826	0.5340		0.9166
2015		0.4038	0.5780		0.9818
2016		0.4210	0.6145		1.0355
2017	(1)	0.4183	0.6005		1.0188
2018		0.4253	0.6150	(2)	1.0403

Note:

(1) Tax rate decrease due to revaluation.

(2) County rate is for Wake County only. A small section of the City of Raleigh is located in Durham County where the county rate is 0.7679.

Source:

Wake County Tax Administrator

Other Tax Data:

Property taxes are listed and assessed as of January 1, and the collections are first budgeted for the fiscal year beginning the next July 1.

There is a State statutory tax rated limit of \$1.50 per hundred dollars valuation for operating expenses, but no limitation on the rate of tax which may be levied for debt service.

The City has no financial responsibility for any part of the public school system. The school budget is approved and funded by the Wake County Board of Commissioners with revenues derived from County, State and Federal governments.

PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO
(amounts expressed in thousands)

Taxpayer	2018			2009		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Duke Energy Progress, Inc.	\$ 382,954	1	0.65%	\$ 326,075	2	0.66%
CVM Holdings LLC	380,390	2	0.64%	334,439	1	0.68%
Highwoods Realty LP	363,300	3	0.61%	203,807	3	0.42%
First Citizens Bank & Trust Co.	233,489	4	0.39%	141,785	6	0.29%
Mid America Apartments LP	184,739	5	0.31%	-	-	-
State Employees Credit Union	176,643	6	0.30%	-	-	-
G&I VIII TTC LLC	148,836	7	0.26%	-	-	-
LSREF3 Bravo (Raleigh) LLC	145,463	8	0.25%	-	-	-
North Hills Owner LLC	138,665	9	0.23%	-	-	-
Columbia Cameron Village LLC	125,085	10	0.21%	-	-	-
Triangle Town Center LLC	-	-	-	173,375	4	0.35%
Bellsouth Telephone	-	-	-	142,694	5	0.29%
NHM Owner-1 LLC	-	-	-	138,458	7	0.28%
Highwoods DLF Forum LLC	-	-	-	113,785	8	0.23%
Columbia Cameron Village	-	-	-	110,760	9	0.23%
ARI RCC 32 LLC	-	-	-	110,419	10	0.23%
Totals	<u>\$ 2,279,564</u>		<u>3.85%</u>	<u>\$ 1,795,597</u>		<u>3.66%</u>

Note:

Above taxable assessed valuations are as of January 1, 2017 and 2008 respectively, and the associated tax levies were due in the fiscal years ended June 30, 2018 and 2009 respectively.

Source:

Wake County website, Statistics and Reports and 2009 City of Raleigh CAFR.

PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(amounts expressed in thousands)

Fiscal Year Ended June 30,	Original Levy for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Adjusted Levy
2009	\$ 184,579	\$ 181,468	98.31%	\$ 2,458	\$ 183,926	99.65%
2010	187,901	185,225	98.58%	2,133	187,358	99.71%
2011	188,777	186,280	98.68%	2,000	188,280	99.74%
2012	190,578	188,329	98.82%	2,142	190,471	99.94%
2013	197,617	195,117	98.73%	2,726	197,843	100.11%
2014	203,033	201,842	99.41%	1,940	203,782	100.37%
2015	212,617	211,668	99.55%	363	212,031	99.72%
2016	227,479	225,261	99.02%	55	225,316	99.05%
2017	243,201	241,145	99.15%	(49,857)	191,288 (1)	78.65%
2018	252,877	250,734	99.15%	-	250,734	99.15%

Note:

(1) Reconciliation to revenues per general fund financial statements:

Total collected as per above	\$ 250,734
Penalties collected	378
Prior year collections in current year	41
Special districts	1,816

Ad valorem taxes collected per general fund financial statements	<u>\$ 252,969</u>
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ANALYSIS OF CURRENT TAX LEVY
CITY - WIDE LEVY
For the Fiscal Year Ended June 30, 2018

	City - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	\$ 58,239,227,018	\$.4253	\$ 247,702,004	\$ 234,044,553	\$ 13,657,451
Registered motor vehicles taxed at prior year's rate	956,321,133	.4183	3,967,142	-	3,967,142
	<u>59,195,548,151</u>		<u>251,669,146</u>	<u>234,044,553</u>	<u>17,624,593</u>
Discoveries:					
Prior years' taxes	74,947,142	(1)	296,561	291,876	4,685
Total property valuation	<u>\$ 59,270,495,293</u>				
Deferred and waived			1,209,074	1,209,074	-
Penalty			364,073	364,073	-
Rebates			<u>(662,350)</u>	<u>(662,350)</u>	<u>-</u>
Net levy			252,876,504	235,247,226	17,629,278
Uncollected taxes at June 30, 2018			<u>(272,529)</u>	<u>(267,412)</u>	<u>(5,117)</u>
Current year's taxes collected			<u>\$ 252,603,975</u>	<u>\$ 234,979,814</u>	<u>\$ 17,624,161</u>
Current levy collection percentage			<u>99.88%</u>	<u>99.89%</u>	<u>99.97%</u>

Note:

(1) Taxes levied on discovered properties of prior periods at tax rates applicable to those periods.

SCHEDULE OF AD VALOREM TAXES RECEIVABLE

June 30, 2018

Fiscal Year Ended June 30	Taxes Receivable June 30, 2017	Additions	Collections and Other Reductions	Taxes Receivable June 30, 2018
				(1)
2009 & prior	\$ 3,692,003	\$ -	\$ 6,150	\$ 3,685,853
2010	282,121	-	3,278	278,843
2011	478,131	-	3,071	475,060
2012	260,854	-	5,601	255,253
2013	255,832	-	7,799	248,033
2014	242,917	-	13,251	229,666
2015	272,024	-	15,482	256,542
2016	322,879	-	146,652	176,227
2017	387,359	-	(157,438)	544,797
2018	-	253,745,611	253,420,988	324,623
TOTALS	\$ 6,194,120	\$ 253,745,611	\$ 253,464,833	\$ 6,474,897
			(2)	

Notes:

(1) Ad valorem taxes receivable only; does not include vehicle tag fee receivable (\$3,478,965)

(2) Reconciliation to revenues collected:

Collections and other reductions per above	\$ 253,464,833
Late list penalties collected	(228,325)
Penalties collected	377,597
Prior year levy adjustments	17,036
Rebates and waived taxes	(662,350)
Ad valorem taxes collected per general fund financial statements	<u>\$ 252,968,791</u>

RATIOS OF OUTSTANDING DEBT BY TYPE LAST TEN FISCAL YEARS

(amounts expressed in thousands)

Fiscal Year	Governmental Activities		Business-type Activities			Total Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Installment Financing Agreements	General Obligation Bonds	Water and Sewer Revenue Bonds	Installment Financing Agreements			
2009	\$ 177,949	\$ 139,825	\$ 12,616	\$ 554,740	\$ 349,998	\$ 1,235,128	8.36%	3,203.91
2010	230,567	120,967	10,574	546,250	361,869	1,270,227	8.21%	3,239.69
2011	213,916	161,229	8,569	643,725	352,794	1,380,233	8.41%	3,417.33
2012	344,046	142,883	6,679	629,750	342,932	1,466,290	8.35%	3,567.62
2013 (3)	351,612	139,903	5,118	727,382	369,471	1,593,486	8.16%	3,765.51
2014 (3)	343,739	162,224	3,467	708,895	389,116	1,607,441	(2)	3,723.12
2015 (3)	363,605	230,467	1,771	687,136	408,636	1,691,615	(2)	3,845.49
2016 (3)	351,863	266,013	386	664,085	417,537	1,699,884	(2)	3,768.59
2017 (3)	399,236	270,251	-	761,470	420,100	1,851,057	(2)	4,033.86
2018 (3)	369,456	241,462	-	735,108	393,343	1,739,369	(2)	3,742.51

Notes:

Details regarding the city's outstanding debt can be found in the notes to the financial statements.

(1) See the Schedule of Demographic and Economic Statistics on page 185 for personal income and population data.

(2) Personal income data unavailable for 2014, 2015, 2016, 2017 and 2018.

(3) Amounts shown are net of premiums, discounts, and adjustments. Certain non-debt long term liabilities are excluded here, but are included in long term liabilities on page 1 and in the notes to the financial statements. A reconciliation to page 1 is below:

	Governmental Activities	Business-type Activities
General obligation bonds	\$ 369,456	\$ -
Revenue bonds	-	735,108
Installment financing agreements	241,462	393,343
Earned vacation payable	21,891	5,315
Landfill postclosure costs	-	4,995
Claims Payable	19,343	1
	<u>\$ 652,152</u>	<u>\$ 1,138,762</u>

RATIOS OF GENERAL BONDED DEBT OUTSTANDING LAST TEN FISCAL YEARS

(amounts expressed in thousands, except per capita amounts)

Fiscal Year	General Bonded Debt		Net Bonded Debt		Percentage Actual Taxable Value of Property	Per Capita Bonded Debt	
						General	Net
	(1)		(2)		(3)	(4)	
2009	\$	190,565	\$	184,770	0.39%	\$ 494	\$ 479
2010		241,140		235,030	0.48%	615	599
2011		222,485		217,758	0.44%	551	539
2012		350,725		345,852	0.69%	853	841
2013		327,775		324,002	0.64%	775	766
2014		320,200		317,188	0.61%	742	735
2015	(5)	363,605		361,578	0.69%	755	751
2016	(5)	351,863		350,558	0.65%	675	672
2017	(5)	399,236		398,219	0.60%	761	759
2018	(5)	369,456		368,703	0.62%	696	694

Actual - Before any premium, discounts or adjustments by Accounting

Notes:

Details regarding the city's outstanding debt can be found in the notes to the financial statements.

- (1) Total includes all general obligation bonded debt.
- (2) Represents gross bonded debt less allowable statutory deductions.
- (3) See Assessed Value of Taxable Property schedule on page 174 for property value data.
- (4) See Demographic and Economic Statistics schedule on page 185 for population data.
- (5) Amounts shown here are net of premiums, discounts and adjustments.

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**As of June 30, 2018**

(amounts expressed in thousands)

	Bonded Debt	Percentage Applicable to City	City's Share of Debt
Direct Debt - City of Raleigh (1)	\$ 535,264	100.00%	\$ 535,264
Overlapping Debt: (2)			
Wake County Debt (3)	<u>1,762,270</u>	41.05% (4)	<u>723,333</u>
Total Direct and Overlapping Debt	<u>\$ 2,297,534</u>		<u>\$ 1,258,597</u>

Notes:

- (1) This total includes all governmental activities debt.
- (2) Overlapping debt does not include the debt of the Special Airport Tax District of Durham and Wake Counties as these bonds are payable by the Airport Authority out of airport revenues.
- (3) This total includes \$1,436,833,078 of Wake County School Bonds.
- (4) Percentage of direct and overlapping debt is based on June 30, 2018 assessed valuation of the City of Raleigh (\$59,195,548,152) as compared to the June 30, 2018 assessed valuation of Wake County (\$144,219,213,822).

LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(amounts expressed in thousands)

Fiscal Year Ended June 30	Debt Limit	Less: Total Net Debt Applicable to Limit	Legal Debt Margin	Total Net Debt Applicable to the Limit as a Percentage of Debt Limit
2009	\$ 3,923,534	\$ 860,872	\$ 3,062,662	21.94%
2010	3,991,318	836,465	3,154,853	20.96%
2011	4,005,086	850,380	3,154,706	21.23%
2012	4,043,155	867,667	3,175,488	21.46%
2013	4,095,530	867,668	3,227,862	21.19%
2014	4,225,446	974,216	3,251,230	23.06%
2015	4,218,066	1,134,703	3,083,363	26.90%
2016	4,298,041	1,139,717	3,158,324	26.52%
2017	4,677,212	1,124,420	3,552,792	24.04%
2018	4,735,644	1,251,042	3,484,602	26.42%

Legal Debt Margin Calculation for Fiscal Year 2018

Assessed value	\$ 59,195,548
Debt limit (8% of assessed value)	4,735,644
Debt applicable to limit:	
General Obligation bonds	323,520
GO bonds authorized not issued	305,475
Other outstanding debt	622,800
Less: Statutory deductions	
Uncollected special assessments levied for local improvements for which gross debt incurred to the extent to be applied to the payment of such gross debt	(753)
Total net debt applicable to limit	<u>1,251,042</u>
Legal debt margin	<u>\$ 3,484,602</u>

**PLEDGED REVENUE COVERAGE
LAST TEN FISCAL YEARS**

Fiscal Year Ended	Gross Revenues (1)	15% of CY Unrestricted Net Position (4)	Operating Expenses (1)	Net Revenue Available for Debt Service	Debt Service Requirements (3 and 4)			Coverage Ratios			
					Principal	Interest	Total	Net Coverage	With 15% (4)	Required Coverage	
Parity Debt Service Coverage (2)											
2009 (5)	\$ 120,957,554	\$ 7,992,892	\$ 88,596,831	\$ 32,360,723	\$ 5,750,000	\$ 7,909,634	\$ 13,659,634	2.37	2.95	1.20	
2010	140,145,189	11,314,260	85,916,982	54,228,207	6,985,000	21,041,497	28,026,497	1.93	2.34	1.20	
2011	153,349,630	14,913,980	85,869,606	67,480,024	11,115,000	24,899,417	36,014,417	1.87	2.29	1.20	
2012	173,365,019	19,133,381	90,783,309	82,581,710	12,050,000	24,671,035	36,721,035	2.25	2.77	1.20	
2013	187,414,283	24,812,247	89,197,234	98,217,049	13,145,000	23,917,626	37,062,626	2.65	3.32	1.20	
2014	201,259,452	30,659,474	91,027,389	110,232,063	15,965,000	26,159,934	42,124,934	2.62	3.34	1.20	
2015 (6)	214,997,564	37,843,467	89,725,721	125,271,843	19,695,000	23,969,886	43,664,886	2.87	3.74	1.20	
2016	231,560,704	46,008,826	91,722,046	139,838,658	22,405,000	28,970,260	51,375,260	2.72	3.62	1.20	
2017	243,174,781	52,037,132	100,032,451	143,142,330	23,130,000	30,070,063	53,200,063	2.69	3.67	1.20	
2018	259,719,422	55,507,589	100,287,101	159,432,321	23,130,000	30,070,063	53,200,063	3.00	4.04	1.20	
Parity and Subordinate Debt Service Coverage (3)											
2009 (5)	\$ 120,957,554		\$ 88,596,831	\$ 32,360,723	\$ 9,174,700	\$ 8,547,494	\$ 17,722,194	1.83		1.00	
2010	140,145,189		85,916,982	54,228,207	9,529,491	21,594,268	31,123,759	1.74		1.00	
2011	153,349,630		85,869,606	67,480,024	13,643,740	25,351,895	38,995,635	1.73		1.00	
2012	173,365,019		90,783,309	82,581,710	14,011,829	25,037,720	39,049,549	2.11		1.00	
2013	187,414,283		89,197,234	98,217,049	15,072,689	24,215,588	39,288,277	2.50		1.00	
2014	201,259,452		91,027,389	110,232,063	18,549,105	26,729,341	45,278,446	2.43		1.00	
2015 (6)	214,997,564		89,725,721	125,271,843	22,480,320	24,335,506	46,815,826	2.68		1.00	
2016	231,560,704		91,722,046	139,838,658	25,678,884	26,694,127	52,373,011	1.38		1.00	
2017	243,174,781		100,032,451	143,142,330	24,926,658	26,630,347	51,557,005	2.78		1.00	
2018	259,719,422		100,287,101	159,432,321	28,287,396	32,092,890	60,380,286	2.64		1.00	

Notes:

- (1) Water and sewer user charges and other utility revenues are pledged revenues; operating expenses are exclusive of depreciation and interest expense.
- (2) Parity debt service includes interest and principal of revenue bonds.
- (3) Parity and subordinate debt service includes interest and principal of revenue bonds, State loans, and water and sewer general obligation bonds. Certain other debt paid within the Utility Fund is not subject to legal coverage requirements, and is not included above.
- (4) The City entered into the First Amendatory Trust Agreement dated April 15, 2004. The first amendment provides that 15% of Water and Sewer unrestricted net positions as of the last day of the preceding fiscal year be added to gross revenues in computing the net revenue available for debt service. The required coverage for parity indebtedness was also decreased to 1.20% from 1.25%.
- (5) The schedule was updated in 2011 to change certain prior period amounts for consistency in reporting.
- (6) The schedule was updated for the 2015 interest figures with a reclassification between the two categories presented.

DEMOGRAPHIC AND ECONOMIC STATISTICS LAST TEN FISCAL YEARS

Fiscal Year	Population	Personal Income (expressed in thousands)	Per Capita Personal Income	School Enrollment ADM	Unemployment Rate %
	(1)	(2)	(2)	(3)	(4)
2009	388,926	\$ 15,065,826	\$ 38,737	142,732	8.8
2010	392,083	15,479,045	39,479	145,040	8.3
2011	403,892	16,410,536	40,631	148,470	9.9
2012	411,000	17,553,399	42,709	152,474	9.4
2013	423,179	18,597,448	43,947	156,073	7.4
2014	431,746	21,035,913	46,636	159,984	5.1
2015	439,896	21,295,805	48,411	161,027	5.0
2016	451,066	22,753,573	50,444	164,429	4.3
2017	458,880	Unavailable	Unavailable	169,436	3.6
2018	464,758	Unavailable	Unavailable	170,202	3.6

Sources:

- (1) Census Population Estimates Program for 2011, 2013-2018
City of Raleigh Planning Department - estimate for other years.
- (2) U.S. Department of Commerce, Bureau of Economic Analysis.
Per capita income for the Raleigh-Cary MSA.
Data for 2016 and 2017 are unavailable.
- (3) North Carolina Department of Public Instruction, Information Analysis and Reporting.
ADM = Average daily membership - (final ADM). Includes eighteen charter schools.
- (4) North Carolina Employment Security Commission.
Estimated percentage of unemployment in Wake County as of June 30, 2018.
- (5) Population, school enrollment and unemployment data is reported as of June 30.
Personal income data is reported as of December 31.

**PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO**

Employer	2018			2009		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
State of North Carolina	22,365	1	8.88%	25,458	1	13.41%
Wake Med Health and Hospitals	9,362	2	3.72%	6,893	4	3.63%
North Carolina State University	8,948	3	3.55%	7,219	3	3.80%
Wake County Public School System	8,396	4	3.33%	16,755	2	8.82%
UNC Rex Healthcare	5,680	5	2.25%	4,400	5	2.32%
City of Raleigh	4,276	6	1.70%	3,844	6	2.02%
Wake County	3,960	7	1.57%	3,500	7	1.84%
NC DHHS	3,800	8	1.51%	-		-
Duke Energy Progress	2,800	9	1.11%	3,246	8	1.71%
Wake Technical Community College	2,160	10	0.86%	-		-
Waste Industries	-		-	2,000	9	1.05%
First Citizens Bancshares Inc	-		-	1,500	10	0.79%
Total	<u>71,747</u>		<u>28.46%</u>	<u>74,815</u>		<u>39.40%</u>

Notes:

City-wide employment as of June 30, 2018: 251,995

City-wide employment as of June 30, 2009: 189,892

Duke Energy Progress was Progress Energy Inc. in 2008.

Source:

Wake County Economic Development

NC Office of State Human Resources

NC Employment Security Commission (Laus City Wide Employment)

City Budget Office

Various Area Employers

CITY GOVERNMENT EMPLOYEES BY FUNCTION/DEPARTMENT LAST TEN FISCAL YEARS

Function	Employees as of June 30									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Policy & Management Services										
General Government	74	94	131	88	90	105	103	109	111	111
Human Resources	26	25	25	25	29	30	30	31	33	34
Administrative Services (2)	20	25	-	-	-	-	-	-	-	-
Finance (4)	127	127	112	111	65	61	61	65	63	63
Information Technology (7)	74	77	78	79	78	78	81	80	81	90
Community Development Services										
Public Infrastructure (1) (6)	421	416	395	397	403	430	445	586	597	627
Planning & Development Services (3)	45	42	60	200	203	169	191	195	210	215
Inspections	141	121	97	-	-	-	-	-	-	-
Community Services	18	18	18	18	18	18	-	-	-	-
Community Development	23	23	23	23	23	23	-	-	-	-
Housing and Neighborhood preservation	-	-	-	-	-	-	-	-	-	-
Housing and Neighborhoods (5)	-	-	-	-	-	-	73	76	76	76
Public Safety										
Police	902	892	882	879	876	890	898	902	904	906
Fire	568	568	575	575	577	607	609	611	621	621
Emergency Communications	102	102	102	109	115	115	115	127	129	129
Solid Waste Services	234	223	211	204	200	202	204	208	210	213
Public Utilities (4)	571	570	586	586	642	632	640	652	656	659
Leisure Services										
Convention Center	107	109	108	104	104	104	104	104	107	109
Parks & Recreation	391	401	408	428	443	472	495	417	420	423
Total	<u>3,844</u>	<u>3,833</u>	<u>3,811</u>	<u>3,826</u>	<u>3,866</u>	<u>3,936</u>	<u>4,049</u>	<u>4,163</u>	<u>4,218</u>	<u>4,276</u>

Notes:

Numbers presented are authorized positions.

(1) Includes Central Engineering, Construction Management, Transit, Parking, Vehicle Fleet Services and Stormwater through 2016.

(2) Administrative Services was dissolved and employees moved to City Manager's and Budget & Management Services Department.

(3) Planning and Development Services consists of Planning, Inspections and the Office of Development Services.

(4) Utility Billing employees moved from Finance to the Public Utilities Department - 2013.

(5) Housing and Neighborhoods was formed to include Community Development, Community Services and Housing & Neighborhood Preservation - 2015.

(6) Public Works changed to Public Infrastructure to include Engineering Services and Transportation - 2017.

(7) Changed name to Information Technology from Information Services - 2017.

Source:

Various city departments and the City Budget Office's Performance Indicators document.

OPERATING INDICATORS BY FUNCTION LAST TEN FISCAL YEARS

Function	Fiscal Year				
	2009	2010	2011	2012	2013
Community Development Services					
Inspections:					
Permits issued (all trade types)	45,022	45,000	47,723	39,144	95,547
Construction - inspections requested (3)	103,798	93,844	77,000	88,640	-
Community Development:					
New housing units constructed	11	9	17	25	7
Homeownership loans provided	66	81	39	60	43
Rehabilitation loans provided	36	27	13	24	13
Public Infrastructure					
Asphalt failures repaired	1,880	2,068	5,000	1,906	4,000
Drainage structures repaired/maintained	700	461	1,000	594	505
Police					
Physical arrests and citations	113,568	116,481	115,361	92,387	88,321
Traffic accidents investigated	18,557	18,439	19,328	19,810	20,283
Fire					
Emergency responses	21,791	22,278	22,790	21,912	21,951
Fire calls answered	1,319	1,167	1,489	1,354	1,077
Emergency Communications					
911 calls processed	520,431	497,778	454,223	475,453	608,770
Solid Waste					
Refuse collected (tons)	87,054	87,562	85,217	84,700	84,582
Recyclables collected (tons)	19,325	20,104	22,370	23,890	26,040
Water					
Number of consumers	165,298	167,307	167,746	170,353	171,123
Average daily consumption (millions of gallons per day)	48.00	49.00	52.00	53.50	52.00
Maximum daily flow (millions of gallons per day)	67.00	71.36	68.71	70.13	68.93
Wastewater					
Average daily sewage treatment (millions of gallons per day)	40.90	42.50	45.70	44.10	45.60
Maximum daily flow (millions of gallons per day)	81.75	88.01	78.94	59.23	72.63
Leisure Services					
Convention center events	687	641	649	576	601
Event attendance	608,842	489,446	460,012	537,804	355,012
Parks and recreation programs	9,290	11,249	11,233	12,717	13,062
Registrants	158,514	138,568	136,489	142,965	151,545
Attendance at parks & recreation facilities (millions)	4.0	4.1	4.0	4.0	4.3

Notes:

- (1) Numbers represent estimates.
- (2) Amounts shown for 2017 data have been updated to reflect actuals rather than estimates.
- (3) Change in reporting measure beginning in 2014 for 2013. Combined construction inspections with permits issued (all trade and types).
- (4) Parks and Recreation changed reporting measure in 2015 to no longer include attendance at facilities.

Source:

Various city departments and the City Budget Office's Performance Indicators document.

OPERATING INDICATORS BY FUNCTION **LAST TEN FISCAL YEARS**

Function	Fiscal Year				
	2014	2015	2016	2017	2018
Community Development Services					
Inspections:					
Permits issued (all trade types)	105,105	107,628	117,340	123,119	118,368
Construction - inspections requested (3)	-	-	-	-	-
Community Development:					
New housing units constructed	21	14	18	5	18
Homeownership loans provided	55	85	66	32	38
Rehabilitation loans provided	50	55	42	29	36
Public Infrastructure					
Asphalt failures repaired	5,544	5,000	5,800	4,257 (2)	3,213 (1)
Drainage structures repaired/maintained	1,120	1,200	2,721	2,176	3,857
Police					
Physical arrests and citations	98,857	86,498	75,157	68,214	60,095
Traffic accidents investigated	21,189	21,706	27,566	27,621	25,016
Fire					
Emergency responses	23,119	24,349	39,301	40,891	40,465
Fire calls answered	1,133	1,192	1,079	1,188	1,071
Emergency Communications					
911 calls processed	580,465	597,245	611,047	574,315 (2)	622,515 (1)
Solid Waste					
Refuse collected (tons)	87,068	91,786	98,028	94,252 (2)	94,800 (1)
Recyclables collected (tons)	26,176	27,584	28,239	28,412 (2)	28,690 (1)
Water					
Number of consumers	174,010	176,918	191,479	195,681	198,984
Average daily consumption (millions of gallons per day)	47.90	47.30	49.00	55.78	49.75
Maximum daily flow (millions of gallons per day)	61.10	67.88	62.00	62.59	63.40
Wastewater					
Average daily sewage treatment (millions of gallons per day)	45.40	48.19	50.00	50.11	48.76
Maximum daily flow (millions of gallons per day)	83.53	68.03	89.00	101.09	64.49
Leisure Services					
Convention center events	726	705	912	917	924
Event attendance	766,107	768,501	973,038	1,346,883	1,375,964
Parks and recreation programs	13,204	13,170	11,810	13,088	13,343
Registrants	158,257	158,500	148,194	105,102	114,270
Attendance at parks & recreation (4) facilities (millions)	4.3	-	-	-	3.1

CAPITAL ASSET STATISTICS BY FUNCTION LAST TEN FISCAL YEARS

Function	Fiscal Year				
	2009	2010	2011	2012	2013
Public safety					
Police stations	7	7	6	6	6
Fire stations	27	27	27	27	27
Highways and streets					
Streets (miles)	1,283	1,293	1,296	1,306	1,310
Streetlights (1)	33,974	34,003	33,067	33,914	34,323
Signalized intersections	515	518	540	552	550
Leisure services					
Number of major parks	75	78	78	77	85
Parks acreage	9,046	9,399	9,451	9,494	9,846
Aquatic facilities	8	8	8	8	9
Community centers (staffed and unstaffed)	34	35	35	34	47
Water					
Water mains (miles)	1,870	1,902	1,931	2,508	2,515
Sewers					
Sanitary sewers (miles)	1,784	1,803	1,819	2,612	2,620

Notes:

Capital asset indicators are not available for the general government function.

(1) Streetlights for 2011-2018 are reported as actuals; prior years are estimated.

(2) Major parks measure was re-evaluted in 2017.

Source:

Various city departments and Budget Office.

**CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS**

Function	Fiscal Year				
	2014	2015	2016	2017	2018
Public safety					
Police stations	6	6	6	6	6
Fire stations	27	28	28	28	29
Highways and streets					
Streets (miles)	1,342	1,358	1,357	1,366	1,369
Streetlights (1)	34,567	34,749	34,891	35,038	35,228
Signalized intersections	615	619	620	620	625
Leisure services					
Number of major parks (2)	85	86	86	112	197
Parks acreage	9,846	10,194	9,893	9,893	10,124
Aquatic facilities	9	9	9	9	8
Community centers (staffed and unstaffed)	47	47	49	49	49
Water					
Water mains (miles)	2,226	2,245	2,355	2,496	2,521
Sewers					
Sanitary sewers (miles)	2,281	2,297	2,300	2,569	2,616



SINGLE AUDIT SECTION

The Single Audit Section contains schedules, exhibits and auditor reports reflecting federal, state and other participation in various projects and programs of the City as required by the Title 2 United States Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, the North Carolina state Single Audit Implementation Act, and the American Recovery and Reinvestment Act.



RALEIGH
UNION STATION

**Report of Independent Auditor on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Honorable Mayor and
Members of the City Council
City of Raleigh, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Raleigh, North Carolina (the "City"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 31, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Cherry Bekaert" followed by a stylized flourish.

Raleigh, North Carolina
October 31, 2018

**Report of Independent Auditor on Compliance for Each Major Federal Program
and on Internal Control over Compliance in Accordance with OMB Uniform Guidance
and the State Single Audit Implementation Act**

To the Honorable Mayor and
Members of the City Council
City of Raleigh, North Carolina

Report on Compliance for Each Major Federal Program

We have audited the City of Raleigh, North Carolina (the “City”), compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the City’s major federal programs for the year ended June 30, 2018. The City’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with federal and state statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the City’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”), and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City’s compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance which are described in the accompanying schedule of findings and questioned costs as items 2018-001 and 2018-002. Our opinion on each major federal program is not modified with respect to these matters.

City of Raleigh’s Response to Findings

The City’s responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City’s responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal controls over compliance as described in the accompanying schedule of finding and questioned costs as item 2018-002 that we considered to be a material weakness.

City of Raleigh's Response to Findings

The City's response to the internal control over compliance finding identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Schedule of Expenditures of Federal and State Award Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated October 31, 2018, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by the Uniform Guidance and the State Single Audit Implementation Act and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and, certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal and state awards is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Cherry Belmont". The signature is written in a cursive, flowing style.

Raleigh, North Carolina
October 31, 2018

**Report of Independent Auditor on Compliance for Each Major State Program
and on Internal Control over Compliance in Accordance with the Uniform Guidance
and the State Single Audit Implementation Act**

To the Honorable Mayor and
Members of the City Council
City of Raleigh, North Carolina

Report on Compliance for Each Major State Program

We have audited the City of Raleigh, North Carolina (the "City"), compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of the City's major state programs for the year ended June 30, 2018. The City's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with state statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the *State Single Audit Implementation Act*. Those standards, the Uniform Guidance and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major State Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state program for the year ended June 30, 2018.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. However, we did identify certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2018-003 that we considered to be a significant deficiency.

City of Raleigh's Response to Findings

The City's response to the internal control over compliance finding identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Schedule of Expenditures of Federal and State Awards Required by the Uniform Guidance and the State Single Audit Implementation Act

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated October 31, 2018, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by the Uniform Guidance and the State Single Audit Implementation Act and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and, certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal and state awards is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Cherry Belmont".

Raleigh, North Carolina
October 31, 2018

Single Audit Schedules

CITY OF RALEIGH, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED JUNE 30, 2018

GRANTOR/PASSED-THROUGH GRANTOR/GRANTOR PROGRAM AND/OR PROJECT TITLE	Federal CFDA Number	Grant Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Pass-through to Subrecipients	Local (1)
EXPENDITURES OF FEDERAL AWARDS:						
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>						
Direct Programs: Federal Transit Administration:						
Federal Transit Cluster:						
Capital Assistance - FTA (5339)	20.507	NC-2016-36-00	\$ 1,157,013	\$ 105,060	\$ -	\$ 184,193
Federal Transit Buses	20.507	NC-34-0005-00	148,701	-	148,701	-
Federal Transit Cap & Maint 2015	20.507	NC-90-X593-00	119,095	4,466	-	25,310
Federal Transit Cap & Maint 2016	20.507	NC-90-X625	531,892	16,600	-	116,374
Federal Transit Cap & Maint 2017	20.507	NC-90-X638	1,746,412	(4,062)	-	440,665
Federal Transit Cap & Maint 2018	20.507	1065-2018-2	3,963,657	123,899	-	977,239
Planning Assistance - Section 9 (5307)	20.507	NC-90-X593-00	-	-	-	16,257
Planning Assistance - Section 9 (5307)	20.507	18-08-101	298,505	-	-	74,626
Planning Assistance - Section 9 (5307)	20.507	NC-90-X638	281,197	-	-	70,300
Total Federal Transit Cluster			8,246,472	245,963	148,701	1,904,964
Transit Services Programs Cluster:						
Enhanced Mobility	20.513	NC-16-X013-00	46,654	-	46,654	-
Enhanced Mobility	20.513	NC-2016-035-00	402,426	-	455,479	53,053
Enhanced Mobility	20.513	NC-2017-055-00	279,419	-	315,452	36,033
Job Access Remote Commute 2013	20.516	NC-37-X031-00	16,430	-	16,430	-
Job Access Remote Commute 2014	20.516	NC-37-X031-01	16,430	-	16,430	-
Job Access Remote Commute 2015	20.516	NC-37-X031-02	18,679	-	18,679	-
New Freedom 2014	20.521	NC-57-X016-01	27,916	-	-	-
New Freedom 2015	20.521	NC-57-X016-02	26,487	-	26,487	-
Total Transit Services Programs Cluster			834,441	-	895,611	89,086
Planning Assistance - Section 9 (5303)	20.505	18-08-101	299,200	37,400	-	37,400
Direct Programs: Federal Railroad Administration:						
Highway Planning and Construction Cluster:						
Raleigh Union Station - Phase I	20.933	FR-TII-0020-13-01-01	11,552,390	1,864,824	-	-
Raleigh Union Station - Phase I Terminal Building	20.933	FR-TII-0028-14-01-02	4,555,213	-	-	3,093,689
Subtotal Highway Planning and Construction Cluster			16,107,603	1,864,824	-	3,093,689
Total Direct Programs U.S. Department of Transportation			25,487,716	2,148,187	1,044,312	5,125,139
Passed-Through North Carolina Department of Transportation: Federal Highway Administration:						
Highway Planning and Construction Cluster:						
Six Forks Road Pedestrian Improvements	20.205	C-5172	(3,413)	-	-	(3,413)
I-40 Pedestrian Improvements	20.205	C-5504	70,627	-	-	70,627
City wide Traffic Signal Upgrade	20.205	C-4923	1,437,124	-	-	479,042
Capital Boulevard Improvements	20.205	U-5514	80,807	-	-	20,202
Downtown Pedestrian Safety Improvements	20.205	EL-5100IF	(805)	-	-	-
State Planning & Research Funds	20.205	WBS47433.1.2,WBS47433.1.3,WBS47433.1.1	200,000	50,000	-	-
Section 104(f) PL	20.205	WBS47615.1.13	656,998	-	-	164,250
Section 104(f) STPDA	20.205	WBS47616.1.8	1,267,469	-	-	455,768
Subtotal Highway Planning and Construction Cluster			3,708,807	50,000	-	1,186,476
Total Highway Planning and Construction Cluster			19,816,410	1,914,824	-	4,280,165
Passed-Through North Carolina Department of Transportation: National Highway Traffic Safety Administration:						
Highway Safety Cluster:						
Bikesafe Coordinator	20.616	MC-17-03-04	1,681	-	-	-
Bikesafe Coordinator	20.616	M9MT-18-16-03	1,517	-	-	-
DWT Squad	20.616	M5HVE-17-15-06	42,468	-	-	42,468
DWT Squad	20.616	M5HVE-18-15-04	66,211	-	-	198,633
Total Highway Safety Cluster			111,877	-	-	241,101
Total Passed-Through North Carolina Department of Transportation			3,820,684	50,000	-	1,427,577
Total U.S. Department of Transportation			29,308,400	2,198,187	1,044,312	6,552,716
<u>CORPORATION FOR NATIONAL SERVICE</u>						
Direct Programs: Foster Grandparent /Senior Companion Cluster: Foster Grandparent Program	94.011	14\$FSNCO01	250,538	-	-	86,665
Total Corporation for National Service			250,538	-	-	86,665
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>						
Direct Programs: CDBG Entitlement Grant Cluster:						
Community Development Block Grant - Entitlement	14.218	B15MC370009	174,919	-	71,647	-
Community Development Block Grant - Entitlement	14.218	B16MC370009	404,716	-	165,773	-
Community Development Block Grant - Entitlement	14.218	B17MC370009	336,989	-	138,032	-
Total CDBG Entitlement Grant Cluster			916,624	-	375,452	-
Direct Programs:						
HOME Investment Partnerships Program	14.239	M13-MC370206	628,570	-	-	129,752
HOME Investment Partnerships Program	14.239	M14-MC370206	342,014	-	-	70,600
HOME Investment Partnerships Program	14.239	M16-MC370206	28,965	-	-	5,979
HOME Investment Partnerships Program	14.239	M17-MC370206	61,272	-	-	12,648
Total HOME Direct Program			1,060,821	-	-	218,979
ESG Direct Program:						
Emergency Solutions Grant Program	14.231	E16MC370009	105,206	-	105,206	-
Emergency Solutions Grant Program	14.231	E17MC370009	171,295	-	171,295	-
Total ESG Direct Program			276,501	-	276,501	-
Total U.S. Department of Housing and Urban Development			2,253,946	-	651,953	218,979

CITY OF RALEIGH, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (CONTINUED)

YEAR ENDED JUNE 30, 2018

GRANTOR/PASSED-THROUGH GRANTOR/GRANTOR PROGRAM AND/OR PROJECT TITLE	Federal CFDA Number	Grant Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Pass-through to Subrecipients	Local (1)
<u>U.S. DEPARTMENT OF THE INTERIOR</u>						
Passed-Through N.C. Department of Natural and Cultural Resources:						
Millbrook Exchange CWMTF	N/A	2016-1006	54,896	-	-	13,724
Upper Durant Lake CWMTF	N/A	2017-807	12,888	-	-	5,524
Horse Shoe Farm Nature Preserve Park - PARTF	N/A	Contract No. 6147	250,000	-	-	-
Raleigh Architectural Survey Update	15.904	N/A	10,000	-	-	6,000
Total Passed-Through N.C. Department of Natural and Cultural Resources			327,784	-	-	25,248
<u>U.S. DEPARTMENT OF JUSTICE</u>						
Direct Programs: JAG Cluster:						
Edward Byrne Memorial Justice Assistance (JAG) 2014	16.738	2014-DJ-BX-0967	17,027	-	16,758	-
Edward Byrne Memorial Justice Assistance (JAG) 2015	16.738	2015-DJ-BX-1012	95,069	-	61,997	-
Edward Byrne Memorial Justice Assistance (JAG) 2016	16.738	2016-DJ-BX-1066	4,494	-	-	-
Subtotal JAG Cluster			116,590	-	78,755	-
Direct Programs:						
Body-Worn Camera Implementation Program	16.835	2016-BC-BX-K100	169,481	-	-	166,460
Equitable Sharing	16.922	2017	390,362	-	-	-
Total Direct Programs U.S. Department of Justice			559,843	-	-	166,460
Passed-Through N.C. Department of Public Safety: U.S. Department of Justice:						
JAG Cluster:						
Gang Resource Coordinator	16.738	2014-DJ-BX-1148	9,873	-	-	3,291
Subtotal JAG Cluster			9,873	-	-	3,291
Total JAG Cluster			126,463	-	78,755	3,291
Total Passed-Through N.C. Department of Public Safety: U.S. Department of Justice			9,873	-	-	3,291
Total U.S. Department of Justice			686,306	-	78,755	169,751
<u>ENVIRONMENTAL PROTECTION AGENCY</u>						
Passed-Through N.C. Department of Environmental Quality: Capitalization Grants for Clean Water State Revolving Funds:						
Neuse River WWTP Phase III	66.458	CS-37 0419-18	(260,454)	-	-	-
Crabtree Creek Wastewater Conveyance	66.458	CS87 0419-19	3,733,713	-	-	-
Total Clean Water State Revolving Funds			3,473,259	-	-	-
Total Passed-Through N.C. Department of Environmental Quality			3,473,259	-	-	-
Total Environmental Protection Agency			3,473,259	-	-	-
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>						
Direct Programs: FEMA						
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2015-FH-00076	552,909	-	-	-
Assistance to Firefighters Grant	97.044	EMW-2015-FO-01085	-	-	-	500
Total Direct Programs: FEMA			552,909	-	-	500
Passed-Through N.C. Department of Public Safety: FEMA:						
Flood Mitigation Assistance	97.029	FMA-PJ-04-NC-2014-012	(6,133)	-	-	-
Hazard Mitigation	97.039	HMGF 4167-0008-R	1,548,635	516,212	-	-
Tornado 2011	97.036	FEMA-1969-DR-NC	333,939	-	-	-
Hurricane Matthew 2016	97.036	FEMA-4285-DR-NC	1,137,996	-	-	-
Total Passed-Through N.C. Department of Public Safety: FEMA			3,014,437	516,212	-	-
Passed-Through N.C. Department of Public Safety: FEMA:						
Homeland Security Cluster:						
USAR	97.067	EMW-2017-SS-00085-S01	26,500	-	-	-
USAR	97.067	EMW-2015-SS-00062-S01	11,749	-	-	-
Total Homeland Security Cluster			38,249	-	-	-
Total Passed-Through N.C. Department of Public Safety			3,052,686	516,212	-	-
Total U.S. Department of Homeland Security: FEMA			3,605,595	516,212	-	500
<u>OFFICE OF NATIONAL DRUG CONTROL POLICY</u>						
Passed-Through Durham County:						
High Intensity Drug Trafficking Area (HIDTA) 2016	95.001	G16GA0004A	5,421	-	-	829
High Intensity Drug Trafficking Area (HIDTA) 2017	95.001	G17GA0004A	19,430	-	-	4,180
Total Office of National Drug Control and Policy			24,851	-	-	5,009
TOTAL EXPENDITURES OF FEDERAL AWARDS			39,930,679	2,714,399	1,775,020	7,058,868

CITY OF RALEIGH, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (CONTINUED)

YEAR ENDED JUNE 30, 2018

GRANTOR/PASSED-THROUGH GRANTOR/GRANTOR PROGRAM AND/OR PROJECT TITLE	Federal CFDA Number	Grant Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Pass-through to Subrecipients	Local (1)
EXPENDITURES OF STATE AWARDS:						
<u>N.C. DEPARTMENT OF TRANSPORTATION</u>						
Direct Programs: Division of Highways: Powell Bill		WBS32570	-	10,679,016	-	-
Direct Programs: Public Transportation Division: Public Transportation Maint Asst Prog		18-SM-013	-	2,744,469	-	-
Total Direct Programs N.C. Department of Transportation:			-	13,423,485	-	-
Passed-Through Triangle J Council of Governments: Transportation Demand Management Grant		TDMRAL18	-	91,901	-	92,209
Transportation Demand Management Grant		TDMRAL17	-	-	-	5,501
Total Passed-Through Triangle J Council of Governments			-	91,901	-	97,710
Total N.C. Department of Transportation			-	13,515,386	-	97,710
<u>N.C. DEPARTMENT OF PUBLIC SAFETY</u>						
Direct Programs: Fire Regional Response Team		RRT42018	-	68,253	-	-
Passed-Through Wake County: Juvenile Crime Prevention Council		2017	-	-	-	383
Juvenile Crime Prevention Council		2018	-	93,350	-	20,373
Total Passed-Through Wake County			-	93,350	-	20,756
Total N.C. Department of Public Safety			-	161,603	-	20,756
TOTAL EXPENDITURES OF STATE AWARDS			-	13,676,989	-	118,466
TOTAL EXPENDITURES ALL AWARDS			\$ 39,930,679	\$ 16,391,388	\$ 1,775,020	\$ 7,177,334

Notes to the Schedule of Expenditures of Federal and State Financial Awards:

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and state awards (SEFSA) includes the federal and state grant activity of the City of Raleigh under the programs of the federal government and the State of North Carolina for the year ended June 30, 2018. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the City of Raleigh, it is not intended to present the financial position, changes in net assets or cash flows of the City of Raleigh.

Note 2: Summary of Significant Accounting Policies

The Schedule of Expenditures of Federal and State Awards is prepared on the modified accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

The City of Raleigh has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Powell Bill expenditures as reported above represent eligible expenditures reported to the North Carolina Department of Transportation for the fiscal year ending June 30, 2018. The City is required to report annually to the North Carolina Department of Transportation on the accumulated unexpended Powell Bill funds. Unexpended Powell Bill funds are accounted for and maintained within various City funds. The total unexpended balance on-hand at June 30, 2018 is \$-0-.

Where allowed by grant agreement, prior year expenditures that have not been previously tested may be included in the Schedule of Awards at June 30, 2018. Generally, this occurs when grants are awarded after the related project or program has started incurring expenses and retroactive reimbursement is allowed per the funding agreement or when corrections are made due to previous year(s) omissions.

Negative current year expenditures represent adjustments to previously reported balances for grant projects completed during FY17.

Note 3: Loan Balances

The City of Raleigh had the following loan balances outstanding at June 30, 2018 for which the grantor/pass-through grantor has still imposed continuing compliance requirements. The loan balance outstanding is included in the federal expenditures presented in the schedule. For each program, the outstanding loan balance may differ from expenditures presented in the schedule above due to timing of cash receipts.

Program Name	CFDA Number	Pass-through Grantor's Number	Amount Outstanding
SRF Neuse River WWTP Phase II Revolving Loan	66.458	CS-37 0419-18	\$24,857,992
SRF Crabtree Creek Wastewater Conveyance Revolving Loan	66.458	CS-37 0419-19	\$16,112,691

(1) Represents City of Raleigh matching and awards from local governments.

CITY OF RALEIGH, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2018

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes X none reported
- Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? X yes _____ no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes X none reported
- Noncompliance material to federal awards? _____ yes X no

Type of auditor's report issued on compliance for major federal programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with the 2 CFR 200.516 (a)? X yes _____ no

Identification of major federal programs:

CFDA Numbers

20.507
20.513, 20.516, 20.521
97.039
97.036

Names of Federal Program or Cluster

Federal Transit Cluster
Transit Services Programs Cluster
Hazard Mitigation Grant
Disaster Grants – Public Assistance
(Presidentially Declared Disasters)

Dollar threshold used to distinguish between Type A and Type B Programs:

\$ 1,197,944

Auditee qualified as low-risk auditee?

 X yes _____ no

CITY OF RALEIGH, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2018

Section I – Summary of Auditor’s Results (continued)

State Awards

Internal control over major state programs:

Material weakness(es) identified?

_____ yes X no

- Significant deficiency(ies) identified that are not considered to be material weaknesses?

 X yes _____ none reported

Noncompliance material to state awards?

_____ yes X no

Type of auditor’s report issued on compliance for major state programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with the *State Single Audit Implementation Act*?

_____ yes X no

Identification of major state programs:

Names of State Program or Cluster

Powell Bill

Public Transportation Maintenance Assistance Program

CITY OF RALEIGH, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2018

**SECTION II – FINDINGS AND QUESTIONED COSTS RELATED TO THE
AUDIT OF FEDERAL AND STATE AWARDS**

Section II – Financial Statement Findings

None

CITY OF RALEIGH, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2018

Section III – Federal Award Findings and Questioned Costs

U.S. Department of Homeland Security
Passed through N.C. Department of Public Safety: FEMA
Program Name: Hazard Mitigation Grant (“HMA”)
CFDA#: 97.039

Finding 2018-001

Non-material Noncompliance – Reporting

Criteria or Specific Requirement: According to the Hazard Mitigation Assistance Guidance Section D5; “the recipient’s responsibility for an HMA grant is to process requests for advances and reimbursements of funds. The pass-through entity should establish accounting procedures to disburse money to subrecipients in a timely manner and should provide to subrecipients a point of contact for information on requesting and receiving the funds, records that must be maintained, forms to be used, and timelines for requesting the funds.”

Condition: We noted in the course of performing testing over monthly progress reporting requirement there were two instances where the report was submitted after the 10th of the following month.

Context: Out of the three monthly progress reports tested for compliance, two were found to have not been submitted within ten days of the end of the month as is required.

Known Questioned Costs: None. Finding relates to reporting criteria.

Effect: Monthly progress reports were submitted late.

Cause: Stormwater Administrator responsible for the reporting made oversights and missed reporting deadlines. Since then a new project manager has been hired to manage grants.

Recommendation: We recommend the City implement a process to ensure that reports are submitted on time, including layers of oversight.

Views of responsible officials: The City values the importance of grant compliance and took actions to remediate the situation that led to the delay in monthly progress report submissions. It is the project manager’s responsibility to oversee the day-to-day operations of grant management for Stormwater. Due to a vacancy in the position earlier in the year, the August 2017 report was submitted 3 days late and the February 2018 report was 11 days late. Department personnel were pulled in to assist with grant management while the City actively recruited for the vacant position. During this time, the City maintained verbal communication with the state agency, but we recognize that the City was not granted formal extensions to file monthly reports. The City hired a new project manager in February 2018 to manage grant project responsibilities, and we continue to focus on compliance.

CITY OF RALEIGH, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2018

**U.S. Department of Transportation
Transit Services Programs Cluster
CFDA # 20.513, 20.516, 20.521**

Finding 2018-002

Nonmaterial Noncompliance – Subrecipient Monitoring Material Weakness

Criteria: The Transit Division of the City should have adequate processes and controls to monitor subrecipients' compliance with the requirements for which they are responsible.

Condition: We noted two instances out of three subrecipients tested where the subrecipients of the Transit Division were not monitored during the year and the Transit Division did not review the subrecipients' audit reports.

Context: In discussions with Transit Division personnel, due to a vacancy within the department the appropriate procedures were not followed related to subrecipient monitoring.

Questioned costs: None. All costs reported and reimbursed were considered allowable.

Effect: By the lack of subrecipient monitoring, the City could be reimbursing costs and activities of the subrecipient that are unallowable.

Cause: The Transit Division did not have proper procedures in place to monitor subrecipients during a vacancy in the department.

Recommendation: It is recommended the Transit Division develop proper training and controls of the subrecipient process to ensure that subrecipients are being monitored for compliance with applicable compliance requirements.

Views of responsible officials: The City is committed to address both the control and compliance finding as described above. The City will implement stronger procedures to ensure compliance with subrecipient monitoring and oversight for the Transit services program grants. Dedicated staff will be assigned responsibilities specific to these areas of focus. Transit will also continue to coordinate with the City's grant management team to stay abreast of trainings and new regulatory guidance to ensure that the internal control structure and procedures remain current to comply with all applicable grant requirements.

CITY OF RALEIGH, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2018

Section IV – State Award Findings and Questioned Costs

N.C. Department of Transportation

Program Name: Powell Bill

Finding 2018-003

Significant Deficiency

Criteria: Section 136-41.3 of the State Street-Aid Allocation Law states, “the Department of Transportation shall submit to the chairs of the Joint Legislative Transportation Oversight Committee an annual report no later than October 1 of each year detailing the uses by each municipality of funds received under G.S. 136-41.1 and G.S. 136-41.2 during the preceding year.”

Condition/Context: We noted the assessment totals reported on the Powell Bill Expenditure report that was submitted to the State in the amount of \$594,035 did not tie to the trial balance. Per the trial balance the correct amount is \$337,818, so the difference between the reported amount and the actual amount of assessments is \$256,217.

Known Questioned Costs: None

Effect: The information the City submitted to the State was incorrect.

Cause: This error occurred due to a mistake in pulling the trial balance accounts related to the assessments reported in the Powell Bill submission and the review control not operating effectively.

Recommendation: We recommend the City implement a process to ensure that all figures submitted on the Powell Bill Expenditure report are properly reviewed.

Views of responsible officials: The City's controls include a designated preparer and reviewer assigned to review the accuracy of the Powell Bill Expenditure report. We recognize that controls failed to identify this assessments revenue overstatement. Based on the nature of the City's spending, which far exceeds the revenue allocation for this grant funding and related assessments, our controls-based review focuses significant effort to ensure that expenditures are accurately classified based on allowable costs presented within the report. We properly reported eligible expenditures to support the use of grant funds and filed the report timely. The City verified with the NCDOT that no bookkeeping correction is required to carryforward onto the FY 2019 report, thus no corrected filing is necessary.



SECTION III- SCHEDULE OF CORRECTIVE ACTION PLAN

II-Financial Statement Findings

None

III-Federal Award Findings and Questioned Costs

U.S. Department of Homeland Security
Passed through N.C. Department of Public Safety: FEMA
Program Name: Hazard Mitigation Grant ("HMA")
CFDA#: 97.039

Finding 2018-001
Non-material Noncompliance – Reporting

Name of the contact person: Benjamin Brown, Sr. Engineering Supervisor - Stormwater

Corrective action: In addition to the dedicated project manager hired in February 2018, the City will be implementing new procedures to ensure timely filing of monthly progress reports henceforth. New operating procedures include emailing monthly progress reports to the State by the 5th of every month, or 5 days earlier than any future specified deadline for related grants. The project manager's supervisor will sign off on all report submissions. If this deadline falls on a weekend or holiday, the report will be sent the business day prior to that date. The City will continue to work with the granting agency to ensure we strengthen compliance and oversight moving forward.

Proposed completion date: Immediate. Dedicated project manager already hired February 2018. New operating procedures to take effect with November 2018 report filing.

U.S. Department of Transportation
Transit Services Programs Cluster
CFDA # 20.513, 20.516, 20.521

Finding 2018-002
Nonmaterial Noncompliance – Subrecipient Monitoring
Material Weakness

Name of the contact person: David Eatman, Assistant Director of Transportation

Corrective action: The City will implement procedures to ensure that proper monitoring of all subrecipients occurs and resources are dedicated to increased oversight of Transit Services grant programs, including a recently hired position. New procedures will be established to perform a risk assessment of each subrecipient to determine the appropriate level of monitoring needed. Quarterly subrecipient monitoring of both financial and programmatic activity will be conducted by Transit staff to ensure compliance with statutes, regulations and terms and conditions of the award. Monitoring activity may include on-site visits, desk reviews, continued review of reimbursements, reviews of audit and performance reports, and will include follow-up on any identified deficiencies and/or other procedures as deemed appropriate.

Proposed completion date: In process and will be completed in stages through fiscal year 2019.



IV-State Findings and Questioned Costs

N.C. Department of Transportation
Program Name: Powell Bill

Finding 2018-003
Significant Deficiency

Name of the contact person: Shelle Boudreau, Chief Accountant

Corrective action: The City currently has two designated Finance personnel assigned to prepare and review the Powell Bill Expenditure report. Additional procedures will be implemented to validate accurate reporting of balances. These new procedures will include reperforming calculations and additional checklist procedures. A 2nd reviewer will also be added.

Proposed completion date: Immediate revision of the backup files. New controls to be in place prior to the fiscal year 2019 report submission.

CITY OF RALEIGH, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2018

There were no findings reported in the prior year audit of the basic financial statements, findings and questioned costs related to our audit of federal and state awards.



RALEIGH
UNION STATION



Raleigh

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